Nation's Business®

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Bush, Clinton Discuss Small-Business Issues

What's New In Trucks For 1993

Technology That Helps Retailers

How To Buy Health Insurance

OCTOBER 1992

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CAME IN SECOND

LINCOLN TOWN CAR

WHAT A LUXURY CAR SHOULD BE

Nation's Business

Published by U.S. Chamber of Commerce Washington, D.C.

PHOTO: ©WESLEY HITT

Finding the right health insurance—*at the right price—can be an overwhelming task for a small-business owner, says Robert E. Wood, who runs an equipment-rental firm. Cover Story, Page 16.*

PHOTO: ©DEAN ABRAMSON

"A small amount of money" *from a program that helps the smallest start-ups enabled Kimberly Braley to open her day-care center. Business Development, Page 29.*

VOL. 80, NO. 10

Editor's Note

PHOTO: T. MICHAEL KEZA

Cars, coins, *and other collectibles fuel the growth of Chester L. Krause's publishing empire. Lessons of Leadership, Page 53.*

DEPARTMENTS

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One Of Your Toughest Challenges

ILLUSTRATION: PETER SPACEK

Medical costs go up sharply every year. And every jump makes it that much more difficult for small-business owners who want to provide health coverage to their employees.

As this month's cover story (Page 16) points out, finding such coverage is one of the toughest challenges facing many small companies.

For the most part, small companies are not well equipped to deal with the complex issues involved in choosing among the 3,000 health plans in today's market. The person making the buying decision typically is the owner, or maybe the comptroller. Few consider themselves benefits experts. But with so much money at stake, pressure to make smart buying decisions has never been greater.

Fortunately, there are many experts, including the insurance companies' own representatives, to help you select the best plan for your firm.

This month's cover story shows how you can sort through the many choices available with the goal of meeting the key challenge: finding the right plan at the right price.

This is an article that you'll surely want to save. And you can add your views to the continuing story of the availability of health insurance by responding to the Where I Stand survey on Page 76. Results will be the basis of a follow-up article on this subject.

Also of special note in this month's lineup is the report (Page 37) on the business response to the devastation caused by Hurricane Andrew in south Florida. It tells how chambers of commerce and individual businesses responded to the appeals for help that came from the stricken area.

This story spotlights a side of business that generally isn't covered very well, and it adds an important dimension to the record of the recovery effort.

Robert T. Gray

Robert T. Gray
Editor

Nation'sBusiness

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Letters

Lost Manufacturing Jobs Hurt Our Economy

Your August issue ["Entrepreneurs To The Rescue," Cover Story] points to an alarming trend.

For many years it was said that the automotive and military/defense industries were the engines that pulled the American economy. These markets are at serious risk.

Manufacturing jobs are the real engine of America. All of the privatization and entrepreneurship will not create or replace lost manufacturing jobs. They are the only jobs that can pay high enough wages to put [money] back into the economy and keep it prosperous.

Generally, when an entity is privatized, a bigger disparity than before exists between the owners/managers and the workers. That may be as it should, but subtractions in the job/wage market must somehow be offset by a higher-wage job.

And where are they going to come from? Only manufacturing can be an answer.

James C. Thurman
J. Thurman & Co.
Nashville, Tenn.

Repair Shops *Can* Make Old Autos Look New

As a free-lance writer covering the automotive industry since 1988, I found your article about Dent Doctor ["A 'Doctor' With A Miracle Cure," June 1992] interesting. I question the accuracy of your writer's lead paragraph, however.

To state that traditional auto-body repair and painting "inevitably" would result in a late-model vehicle looking less than new does not do justice to the thousands of quality auto-body repair businesses.

Consumers that choose a quality repair facility for severe auto-body damage will find their vehicles can be returned to preaccident condition—both in structure and appearance.

John Yoswick
Image Output
Portland, Ore.

Still More Ways To Control Workers' Comp Costs

Re: "Workers' Comp Costs: Out Of Control" [Cover Story, July], the key to reducing workers' compensation costs rests in part on carrot-and-stick approaches to incentives.

The Florida Legislature passed a workers'-compensation bill that offers a 5 percent premium discount to those companies implementing a comprehensive drug-free workplace program. But injured employees who test positive for illegal drugs forfeit their benefits.

Tropicana's Safety and Drug Free Workplace Program has had these results since it began in 1988: OSHA-recordable accidents, down 30.5 percent; lost-time accidents, down 70.7 percent; lost-time days, down 67.7 percent; total accidents,

PHOTO: ©JEFF ZARUBA—FOLIO, INC.

Manufacturing jobs *help drive the U.S. economy.*

down 55.3 percent; labor hours, up 1.3 percent.

Martin J. Gutfreund
Vice President, Government Affairs
Tropicana Products Inc.
Bradenton, Fla.

Early Return To Work Can Save

The best answer for controlling workers' compensation costs once injuries occur is an early-return-to-work program.

We used an outside consultant to show us how to identify and document a series of temporary but productive "bridge" jobs to help legitimately injured employees gradually move back to their regular jobs.

The system proved to us that we could have a tremendous impact on our costs by getting directly involved and not waiting for the government to solve our problems.

Rich Norquist
Operations Manager
Gold River Distributing Co.
Medford, Ore.

Obstacles At Home For Would-Be Exporters

As a senior associate with a consulting firm specializing in international trade finance, I was impressed with your article "Paving The Way For Small Exporters" [June 1992]. Lacking, however, was a discussion of the most intractable obstacle for small businesses seeking to increase their foreign sales—access to pre- and postshipment export credit, guarantees, and insurance.

Today, banks claiming to finance exports generally require security in the form of U.S.-based assets at margins of as much as 125 percent of the loan sought. The establishment of a small-business division at the Export-Import Bank is a welcome change, but that agency still has but 350 employees to service the financing needs of over 100,000 exporters. With 84 percent of U.S. export shipments valued at $50,000 or less, the fees charged by the bank leave the smaller firm with a very thin profit margin, if any.

The fortunate exporters are those in one of the 31 states that have their own export-finance support operations.

Many others have decided not to try to compete internationally. But foreign firms, aggressively supported by their national export credit agencies, are increasing their share of the U.S. market.

Thus, the American company that decides it cannot compete internationally may soon find it cannot compete domestically.

Albert H. Hamilton
Senior Associate
First Washington Associates, Ltd.
Arlington, Va.

PHOTO: [illegible]—FOLIO, INC.

Before selling abroad, *many small exporters must first navigate the financing services at home.*

From The Bean-Counting Department

An article in your August issue ["A Business With Sole"] just begs me to question its veracity.

Consider the following: Total annual sales for Kathman Goodyear Shoe Repair average $350,000; labor costs for 13 full-time employees come to $20,000 gross each, for a total cost of $260,000.

You are left with $90,000 per annum to pay for the following: rent, insurance, taxes, utilities, supplies, maintenance of equipment, purchase of new equipment, medical insurance for 13 employees and two employers, pension plan/profit sharing, salaries for owner and operators, and profit.

Please tell us how they manage it.

Harvey M. Oppenheim
Far Rockaway, N.Y.

[Editor's Note: Bernie Kathman, owner of Kathman Goodyear Shoe Repair Co., says he manages it by having fewer expenses than Harvey Oppenheim assumed. His employees earn less than $20,000 annually, and he and his son earn a "moderate" salary. He does not offer a pension or hospital-insurance plan, and his rental is $4.70 per square foot. Only his supplies are high—22.5 percent of his gross. And, he says, his cash-and-carry business gives him a steady cash flow.]

Clarifications

An item in Congressional Alert in our August issue referred to Davis-Bacon legislation (H.R. 1987) introduced by Rep. Austin J. Murphy, D-Pa. The U.S. Chamber of Commerce opposes Murphy's bill.

In a recent letter to the editor, Terrance K. Resnick of Resnick Associates, Harrisburg, Pa., questioned points made in a For Your Tax File column on stock buybacks for closely held corporations. A reply to his letter disagreed with some of the points that he raised.

Several readers have now written in support of his view that it is more effective to have individual shareholders personally acquire the stock (cross-purchase) from a decedent shareholder's estate rather than have the corporation make the purchase (redemption). The points that Mr. Resnick made on the matter were accurate, and we regret any implication to the contrary in our reply to his letter.

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number.*

Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.

Entrepreneur's Notebook

Developing A Network

By Pamela Barefoot

If there is one thing I'm good at in business, it's being scared.

I'm not ashamed to admit that. The amount I don't know about business would fill a floor-to-ceiling bookshelf. That's why mine is a business built on personal networking—getting help and advice from other entrepreneurs in the industry I entered in the mid-1980s.

Blue Crab Bay Co., a specialty foods and gift company, is located in remote, bayside Onancock, Va., a tranquil part of Virginia's Eastern Shore. The nearby industrial park is practically empty, the movie theater shows eight-month-old releases—but only on the weekends—and a lot of the residents catch their own seafood supper. With a work force of 12, I'm one of Onancock's larger employers.

PHOTO: T. MICHAEL KEZA

Specialty-foods *entrepreneur Pamela Barefoot uses local resources.*

Pamela Barefoot is founder and president of Blue Crab Bay Co., in Onancock, Va. She prepared this account with Nation's Business *Contributing Editor Charles A. Jaffe.*

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

As you might guess, there are not a lot of resources or management help to draw on. But the support I found from within the business community—locally, regionally, and nationally—helped this company survive infancy struggles with everything from marketing and cash-flow problems to a devastating fire and, later, a destructive hurricane.

It all started on Halloween 1984, the day my husband and I took a big gamble and moved to the Eastern Shore from the Richmond, Va., area. We had quit our jobs—I was doing public relations for an archaeological museum, Jim worked for a printing company—and had no money in the bank, but we were determined to make a lifestyle change. I wanted to make my living using local resources.

So in 1985, I decided to start a mail-order gift-basket business. I didn't want to ship perishables, and thus crabs and fish were out. So I bought bulk herbs and started making seafood seasonings. I found a local peach orchard that would bottle honey for me, and I bought a few cases of canned clams from a local seafood company. Seashells were free on the nearby islands, and there was plenty of cheap fish netting for decorative uses.

With $1,000 borrowed from a woman who was making jam for me, I was in business. I hoped to sell 50 baskets that year.

About this time, I approached a woman who runs a jam and jelly factory in Norfolk for advice; she became my first mentor, as well as my friend. Then I went to Richmond, the state capital, and found out all the ways the state and the U.S. Small Business Administration (SBA) could help me.

My new contacts helped me find a designer and printer for labels and brochures. The first mailing attracted about 20 retail orders, plus interest from gift shops that wanted to buy wholesale. I was thrilled—but also scared; I knew nothing about wholesale. I virtually gave the product away to wholesalers.

The company finished 1985 with $5,000 in sales and a big loss.

But the next year we took $12,000 in orders at a single trade show. From long talks with new contacts and friends, I had learned enough about wholesaling to make a small profit at it, which was important since it had become half of our business. Sales for 1986 reached $70,000.

I started the company as a retail-only operation. Today, about 95 percent of my firm's revenues come from wholesaling to gift and gourmet shops nationwide.

From the start, I joined as many trade and business associations as I could and relied heavily on help from sources such as the SBA's Service Corps of Retired Executives (SCORE) and the Virginia Department of Economic Development.

Networking within the specialty-foods business in Virginia led to the formation of a trade group that gives me insights on working in this industry and gives my firm low-cost exposure through trade shows and group-sponsored advertising.

Generally, I take new proposals to the members of my personal network. Armed with their experience and my knowledge of the direction I want for the company, I can make the kind of calculated, educated decisions that have fueled our growth; Blue Crab Bay Co. expects sales of about $680,000 this year.

As the company has grown and I've learned more about business, I'd like to think my mentors have been paid back; I know what those people have done for me, and I return the favors whenever possible through friendship, sharing rooms at conventions, or promoting their products at our trade-show exhibits.

Today I have a special bond with a few entrepreneurs who come to me when business has them scared and they aren't sure what to do; I benefit, both personally and professionally, by doing what I can to help out. In return, I call on them in my times of need. NB

What I Learned

I'm not afraid to admit what I don't know. Hard work is no problem, but new twists to managing the company can be terrifying. Knowing there are others in business I can lean on takes away a lot of the fear.

How A Boston Museum Sends Early American Roosters For Chicken Feed.

Not everything at Boston's Museum of Fine Arts is priceless. Ask Peter Terenzi, Distribution Manager for the museum's catalogue sales. Between framed prints and gold roosters, Peter's division ships some 300,000 packages a year. Christmas, his busiest season, is also when prompt delivery is most critical. That's when Peter first used Two Day Priority Mail™ from the U.S. Postal Service.

He discovered he could ship 2 pounds in 2 days for just $2.90.* This was at least a third off what the competition offered, saving him $17,500 in the first six months alone. Peter also saves on the pickup service. "For $4.50 they pick up an entire truckload of packages. Since I don't have to send one of my own trucks to the Post Office, I cut time and manpower costs as well." Now that's something to crow about.

Two Day Priority Mail can get you crowing too. Call **1-800-843-8777, Ext. 400,** for a Starter Kit. Or contact your local Post Office. You'll discover the fine art of saving money.

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Managing Your Small Business

Finding precious retail shelf space; several self-promotion tips; and details on OSHA safety training.

By Bradford McKee

EMPLOYMENT

Tips For Handling An Employee's Departure

An employee's resignation usually is seen as a single event rather than a process, but employers suffer if they don't manage the stream of changes carefully, say two management professors.

Christy L. De Vader of Loyola College and Allan G. Bateson of Towson State University, both in the Baltimore area, make these recommendations in the professional publication *SAM Advanced Management Journal*:

Accept, expect, and plan for an employee's exit. Start when interviewing prospective and new employees. Acknowledge the possibility of their leaving the firm eventually, and let them know the firm has a policy to make it easier on all. Supervisors should not take resignations personally.

Treat the departing employee fairly. This will keep the employee motivated until his or her last day. Also, if other employees see you treating the employee unfairly, they may choose to give inadequate notice when they decide to leave.

Make the departure timely. There are likely to be a number of constraints on timing. The employee may consider the timing's effects on his or her company benefits. All the same, the employer won't want staff morale lowered by a poorly performing lame duck. Compromise is necessary. And let the person resigning know he or she is needed until the end.

Keep your remaining staff in mind. Inform other employees of the departure as soon as you can, and watch for "changes in cohesiveness, group norms, and communication patterns." Lend support where you must.

Ask for a "to-do" list. Have the resigning employee list all of his or her job functions—past and current. In addition, have the worker write all of his or her contacts in the community, the profession, and with clientele to let them know of the departure. Ask for an index and passwords to paper and computer files, as well as details on schedules and deadlines.

At the end, before thanking the employee for his or her contributions, review with the departing employee your policy on providing reference information on former employees, and notify your firm's mail handlers of that employee's new address. ■

MARKETING

How To Get Your Product Onto Retailers' Shelves

As an entrepreneur with a new product, Doug Foreman, founder of the Guiltless Gourmet snack-food firm, learned that retail shelf space is scarce. His advice: Start with small stores near you and work up to bigger stores while you "create consumer demand" for your goods.

PHOTO: ERICK McFARLAND

Product uniqueness *helps in getting shelf space, says Doug Foreman.*

First, you should be able to show retail-chain buyers that your product is unique. If you make ketchup or soap, says Foreman, a buyer will likely ask you why yours should go onto the shelf when the store already has 10 other ketchups or soaps. "If the buyer can see what the consumer would go for," he says, "you can expect to get in without big bucks" spent on positioning.

For Guiltless Gourmet, based in Austin, Texas, Foreman had consumers' health concerns in his favor—the Guiltless tortilla chip contains no oil.

A recent grocery industry study found that most consumers rank nutrition as their top priority when buying food; their preferences are for reduced salt, fat, and cholesterol.

Push your product at local festivals, especially if stores are slow in picking it up, says Foreman. While Foreman sold tortilla chips at fairs, "we would tell [customers] to go into the store and ask them [to carry the product] at the same time we'd be working the store." Then he would try to persuade the store to stock his chips, he says. "It's an approach we still use."

Foreman also aims his marketing at registered dietitians, fitness experts, aerobics instructors, and anyone "in the know who is telling people what they should be eating," he says. ■

HOME-BASED BUSINESS

A List Of Pointers For Low-Cost Promotion

You run your business from your home and don't have a lot of obvious ways to get your name Out There, right?

Find your fingertips.

A lot of the most effective marketing methods are right there, says self-promotion specialist Ilise Benun, who owns Creative Marketing & Management, in Hoboken, N.J.

Benun suggests a few techniques:

Track down names that you spot in newspaper or magazine articles if you think those people would make good prospects, referrals, or colleagues.

"Business people [mentioned] in the press may seem inaccessible, but they're not," says Benun. Write them to offer your support or express your objections concerning what they're doing.

Contact speakers you have heard, who may know many other professionals in your line of business. Tell them how you feel about their views.

Write letters to the editors of publications you read. This can bring wide publicity, says Benun. Do it whenever you have an "impassioned" reaction to something you have seen in print. If your letter is published, you may want to send copies to customers on your mailing list.

Personalize your generic mailings. Tell prospects how you found them. Also try "inserting your prospect's name" throughout the mailing, jotting a personal note, and signing your name in a different color of ink, says Benun.

In addition, using a P.S. to restate your message briefly also can be helpful in getting your point across.

Mail to mailers who mail to you. You're likely to turn up a surprising

number of prospects. Emphasize that they may recognize your name. Don't stuff the envelope—the more you send, the less they read, Benun says.

Make yourself accessible by putting your company's phone number and address on every piece of paper that you mail.

Market to your competitors. And even send your surplus projects their way. "If you don't market to your colleagues," Benun says, "how will they refer clients to you?"

WORKPLACE

A Field Guide To Office Colleagues

Rapport among a company's staff members can increase a firm's efficiency, says author and consultant Ichak Adizes, but harmony involves far more than employees' talking with one another. Co-workers need to recognize and respect the work styles of others, he says. This involves patience and meeting halfway those who work differently from you, he says in his new book, *Mastering Change* (Adizes Institute, Santa Monica, Calif., $19.95).

Adizes says work styles typically fall into one of several categories:

Producers are people who work fast, especially in a structured setting, and they focus on details and results. They normally act as though they are under pressure. At the most, ask for five or maybe 10 minutes of their time. Get to the point. Don't rush toward this type with fact-filled paperwork.

Administrators move slowly and deliberately, says Adizes, because they are always processing what they see and hear. They organize everything and hate surprises. They are more interested in *how* than *what*. At the extreme, this type is known as a bureaucrat.

Entrepreneurs are expressive and usually out of breath. They may interrupt a joke you're telling because it reminds them of another joke they've heard. They tend to be disappointed easily, dislike making appointments, and avoid other kinds of exactitude. They are usually at odds with administrators.

Integrators are "political animals," according to Adizes. They define "yes" and "no" depending on the speaker. And they listen better than others. These employees are always trying to resolve conflicts and be "sensitive." Their only undoing is they think everyone else is sensitive, too.

PHOTO: T. MICHAEL KEZA

Recognize varieties *in work styles to increase employees' efficiency, says Ichak Adizes.*

One might think that communication among all these types of workers would become more difficult as a company grows. Wrong, says Adizes. In fact, the calculus works the other way, he told *Nation's Business*: "The smaller you go [in company size], the more complex communication becomes," he says, because it's hard to "hide" in a small business.

TRAINING

OSHA Offers Programs In Safety And Health

The U.S. Occupational Safety and Health Administration (OSHA) is offering health and safety training programs to the private sector at five U.S. colleges. The programs are designed to educate safety-and-health professionals about the Occupational Safety and Health Act and OSHA standards, policies, and procedures.

In addition to its Training Institute in Des Plaines, Ill., which conducts 73 short-term training courses, OSHA's programs are to be offered starting this fall at Georgia Tech, in Atlanta; Maple Woods Community College, in Kansas City, Mo.; Red Rock Community College, in Lakewood, Colo.; Trinidad State Junior College, in Trinidad, Colo.; and the University of California-San Diego, in La Jolla, Calif.

The Colorado colleges jointly will operate a program with courses on health and safety standards in the construction industry. Georgia Tech and the University of California-San Diego will offer courses for the construction industry and general industries. Maple Woods Community College will have courses on general industry safety and health standards.

Programs are one or two weeks long and cost $195 to $595, depending on the course and the college. For more information, contact the OSHA Training Institute at (708) 297-4913. NB

COLLECTIONS

Tips To Help You Check Creditworthiness

Performance ratios can help show you how your firm — even a customer's firm— operates compared with others in the industry. Lynndah Easterwood, of Mid-Continent Agencies Inc., a Glenview, Ill., collections consulting firm, suggests you use these indicators to check a firm's creditworthiness. But, she says, keep in mind that they are tools for interpretation, not gospel. (The abbreviations are our own.)

Working Capital (WC)

You can find the excess of current assets over liabilities (or vice versa) with this formula:

$$\text{Current Assets} - \text{Current Liabilities} = \text{WC}$$

Working Capital Ratio (WCR)

Easterwood calls this ratio "one of the best" ways to find whether a company can meet its debts. A healthy ratio is 2 to 1 or better:

$$\frac{\text{Current Assets}}{\text{Current Liabilities}} = \text{WCR}$$

Quick Ratio

This fine-tuned working-capital ratio (see above) shows how well the firm's most liquid assets cover liabilities. Inventories are excluded. Still, as inventories may vary seasonally, their omission may have a differential impact on the quick ratio. Thus, don't apply this ratio too rigidly:

$$\frac{\text{Cash} + \text{Receivables}}{\text{Current Liabilities}} = \text{Quick Ratio}$$

Receivables Turnover (RT) Ratio

This ratio shows how many times receivables turn over in a year. The higher the rate, the shorter the time between sales and collection. Useful for comparing customers with others or their industry:

$$\frac{\text{Net Sales}}{\text{Receivables}} = \text{RT Ratio}$$

Days Sales Outstanding (DSO)

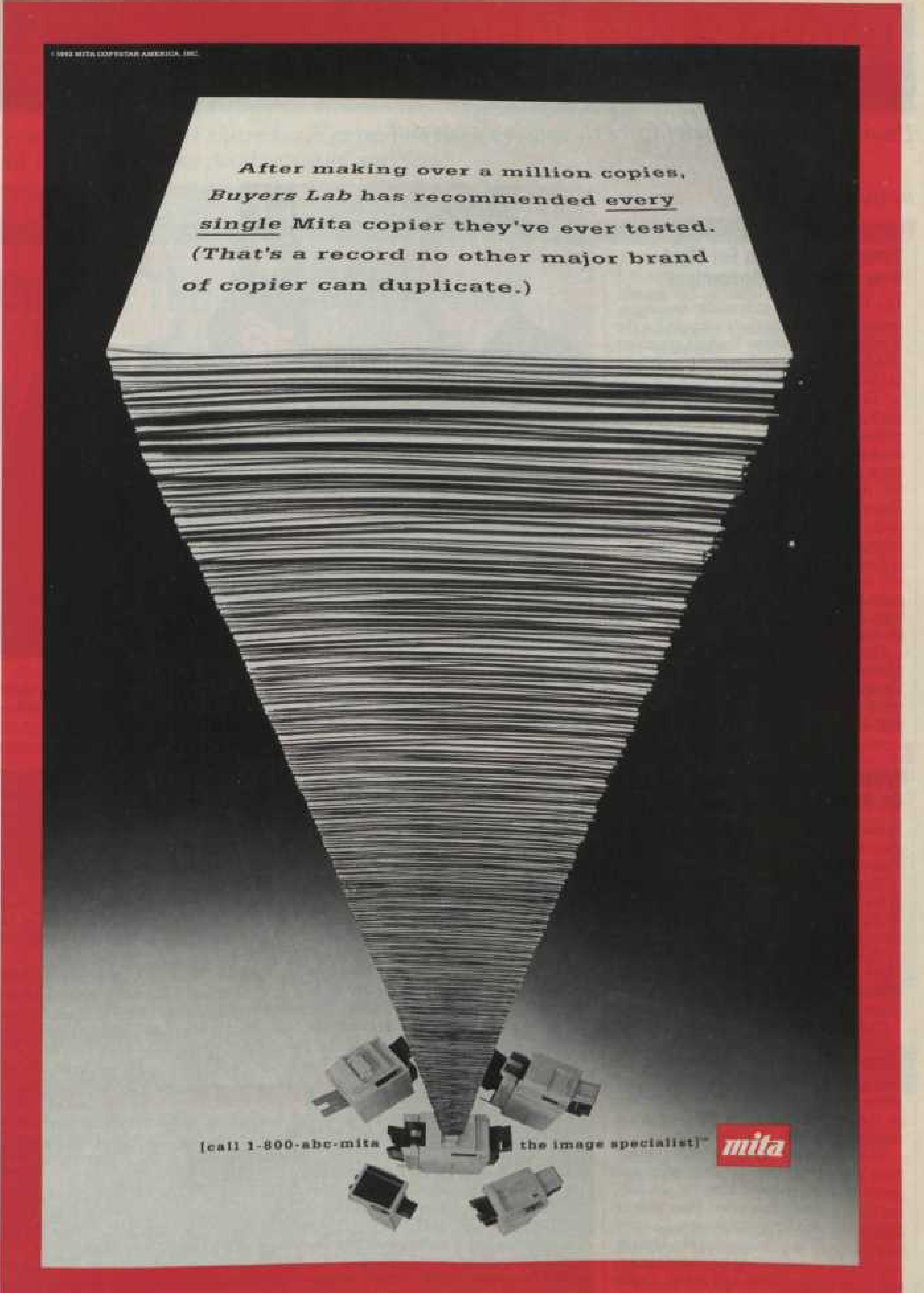
The larger the customer's DSO, the greater the chance of delinquencies:

$$\frac{365}{\text{RT Ratio}} = \text{DSO}$$

Inventory Turnover (IT) Ratio

This ratio tells more than the absolute size of inventory. The higher the turnover ratio, which means greater liquidity and good merchandising, the better. Compare with your industry:

$$\frac{\text{Unit Sales}}{\text{Unit Inventory}} = \text{IT Ratio}$$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Dateline: Washington

Business news in brief from the nation's capital.

By Albert G. Holzinger

INTERNATIONAL TRADE

Business Prepares For Fight Over Free-Trade Agreement

The U.S. business community has begun drumming up grass-roots support for the North American Free Trade Agreement (NAFTA) in anticipation of a tough fight in Congress next year.

"The business community has a lot of work to do to ensure that a NAFTA consistent with its interests actually gets implemented," says John Howard, director of international policy and programs for the U.S. Chamber of Commerce. There is "passionately heated" opposition to the agreement among labor unions and some environmental groups, he says.

The Chamber believes that NAFTA will provide many new trade and investment opportunities for American companies, especially small and midsize businesses.

The agreement, initialed by the trade ministers of the United States, Mexico, and Canada on Aug. 12, is subject to congressional approval. A vote is not expected until next spring at the earliest. ■

PHOTO: ©BARRY THUMMA—WIDE WORLD PHOTOS

Chief negotiators *of the free-trade pact: From left, Michael Wilson, Canada's Minister of Industry and International Trade; U.S. Trade Representative Carla Hills; and Jaime Serra Puche, Mexico's Secretary of Commerce and Industry.*

GOVERNMENT REGULATION

President Extends Freeze On Regulations For One Year

President Bush recently extended for one year a controversial moratorium on new federal regulations.

The president first set a 90-day freeze in his State of the Union address last Jan. 28. In April, he extended the moratorium through August.

The latest directive on regulations, which also requires federal agencies to review existing rules, is effective through August 1993.

The administration's Council on Competitiveness, which has directed the White House deregulation efforts, already has overseen changes in more than 100 pending and existing rules. According to the council, those changes will save taxpayers billions of dollars annually.

The regulatory freeze is under attack from some congressional Democrats and public-interest groups, however. In July, the House voted along party lines to deny funding for the Competitiveness Council, headed by Vice President Dan Quayle, claiming it is protecting business's interests over public health and safety. Public Citizen, a consumer advocacy group, has filed four lawsuits against federal agencies that have delayed rules because of the freeze. The group says its goal is to challenge the legality of the ban.

All For One And One For All

Employers, take note: Starting this fall, agents of the Immigration and Naturalization Service (INS) and the Employment Standards Administration (ESA) will cooperate in auditing businesses for violations of immigration and labor laws. Under a recent agreement between the two federal agencies:

■ ESA will report violations of the federal Immigration Reform and Control Act of 1986. The law requires firms to verify that all persons hired since November 1986 are eligible to work in the United States. It also prohibits employers from discriminating against immigrants.

■ INS will report violations of any labor laws, especially those dealing with child labor, agriculture, the garment industry, and industrial work done in homes.

■ Both INS and ESA will report indications or allegations of employment discrimination to the Office of Special Counsel for Immigration Related Unfair Employment Practices.

—David Warner

FINANCE

House Bill Would Boost Small-Business Research

Small business's minimum share of the funds that federal agencies spend on research would be increased under a bill passed recently by the House.

The measure, an extension of the 10-year-old Small Business Innovation Research Program (SBIR), would require agencies with annual research-and-development budgets of more than $100 million to double the minimum of their awards to small companies, to 2.5 percent, by fiscal 1998.

Over the past decade, federal agencies have granted almost 19,000 contracts worth more than $2.2 billion to small firms under the SBIR.

The Senate is expected to take up legislation to extend the program before it adjourns in October. NB

Making It

Growing businesses share their experiences in creating and marketing new products and services.

One On The (Movable) Aisle

By Michael Barrier

In an increasingly crowded world, companies that offer their customers ways to use space more efficiently stand to do very well. Theodore W. Batterman's company is one of them; it is called Spacesaver, and it does exactly what its name implies.

Spacesaver, a Fort Atkinson, Wis., firm, makes what it calls "high-density mobile-storage systems"—an intimidating name for a highly practical product. Through the use of Spacesaver's systems, its customers can save almost all the space taken up by the aisles between rows of bookshelves, filing cabinets, or other kinds of storage units.

With a Spacesaver system, anyone who needs an aisle can make one appear, when and where it's needed, by grasping a handle or pressing a button, depending on whether the system is manually or electronically operated. The storage units, mounted on wheeled carriages, move on tracks to open up the needed space.

Because only one movable aisle is needed for perhaps a dozen rows of shelves, many more shelves can fit into the same space; or the space saved can be given over to other uses. Spacesaver's systems are not more expensive than conventional storage, Batterman says, "if you look at the space that's required in relation to the cost per inch of filing space."

That argument has been persuasive enough that Spacesaver, which works mainly through 46 affiliated contractors, has installed more than 30,000 systems, each one custom-designed to fit into a particular space. That customization is essential, Batterman says, to avoid problems like those afflicting the new British Library in London, where a Dutch-made system has actually flung books off the shelves.

Spacesaver's customers include hospitals, universities, government agencies, and large corporations—organizations that generate lots of paper and have trouble figuring out how to store it. Spacesaver got its biggest contract ever last year, when the National Archives chose its storage systems for what will be the largest archival facility in the world, in College Park, Md.

"The industry really started in Europe," Batterman says, spurred there by a lack of space and high storage costs. The first American systems were imported in the late '60s.

Batterman, a native of Illinois, was then a vice president of an automotive-equipment manufacturer in Beloit, Wis. In 1972, he bought the company that he later renamed Spacesaver. Until then, it was primarily a small, family-owned manufacturer of cabinets for schoolrooms. In 1970, though, it had built a manually operated mobile-storage system for an Appleton, Wis., architect who was intrigued by the European systems. It was that product that attracted Batterman's attention.

Before buying the company, he traveled to Europe "to see what the future

PHOTOS: ©SPACESAVER CORP.

Ted Batterman's *Wisconsin company, Spacesaver, lives up to its name by making mobile storage systems that eliminate the need for most aisles.*

could be." What he saw convinced him that the concept had tremendous potential. "There were people who said that the system would never be usable in a regular working environment, but only in a basement or some such place," he says. "We didn't believe that."

In fact, he says, efficiency picks up with a mobile system. For one thing, when an electronic system is controlled from a computer console, "people don't have to look for the aisle, because the aisle will open for them."

Spacesaver has identified 17 broad markets for its systems, Batterman says, ranging from law offices and libraries to hospitals and restaurants (where Spacesaver has installed systems for cold storage). "We still have a job to do in educating different industries," he says. "We run into people who say, 'I've never heard of that before.'"

But once Spacesaver gets a foothold, Batterman says, "there's a real relationship with the customer that builds." In hospitals, for example, Spacesaver's systems were first used mainly for medical records and X-rays; over the years, Batterman says, their use has spread to other departments.

For the most part, Spacesaver has remained tightly focused on its core product, although for a while Batterman tried to make products of a superficially similar kind: the vertical carousels used in manufacturing plants. Those products turned out to be much more complicated to sell than Batterman expected, because of the software requirements—"everyone wanted something different"—so he sold that line.

Spacesaver has in the last few years diversified again, but only by making its own steel shelving, in a highly automated, $7.5 million plant. "More and more of the customers are going toward the shelving we manufacture," Batterman says, because it is designed for use on the carriages and tracks that make up the mobile system itself.

Spacesaver will adapt its system to accommodate a customer's existing shelves or cabinets, though; as Batterman says, "they don't have to throw them away."

Batterman, who will turn 65 in November, almost died four years ago from a burst appendix; that crisis prompted him to hire a new president and two new vice presidents from outside. "The company is going through a transition from a small company to a medium-size company," Batterman says—he won't reveal sales figures, but the total number of employees is now close to 300—and he sought out a succession team that had experience with larger operations.

As a company grows, he says, "you lose some of what you had when you were real small, when everybody knew, all the time, what was going on. But we don't want to lose the entrepreneurial environment—we want to be a responsive, customer- and service-oriented company, where quality is No. 1." ■

Is There A Cookie In The House?

By Janet Beales

You might not be surprised to hear that two physicians are rolling in dough—but *cookie* dough?

Marvin Wayne, 48, an emergency-room physician, and Stephen Yarnall, 58, a cardiologist, are the co-founders of Dr. Cookie Inc., which is based in Bothell, Wash., near Seattle. Dr. Cookie's cookies, which are moist and made without preservatives, come in 18 flavorful varieties, like apple walnut raisin and peanut butter chocolate chip. What's more, these cookies are low in cholesterol and high in fiber.

It all started when Wayne took a part-time baking job to help pay his way through college. After he learned that he shared the high cholesterol count that had contributed to his father's early death, he decided to use his culinary skills to create more-healthful cookies.

His baking continued even while he was a combat surgeon in Vietnam. "The Vietnam War was either stark terror or sheer boredom," he recalls. "One of the things I found to do was to go over to the mess tent at night and bake."

Stateside again, Wayne practiced his hobby in hospital kitchens and at a local health-food bakery, where he would drop in to bake while on call. But it wasn't until 1985 that he parlayed his hobby into a business with the help of his colleague, Yarnall.

Janet Beales is a Seattle-based free-lance writer.

After a false start in the retail-bakery business, Wayne and Yarnall landed a contract with Pacific Southwest Airlines to supply it with 30,000 cookies a week. Contracts with other airlines followed.

Airline sales led to an increase in direct sales. Airline passengers were exposed to the Dr. Cookie story and its 800 number for telephone orders, printed on the back of every cookie package.

PHOTO: ERICH FRISHMAN

Dr. Marvin Wayne *doubles as Dr. Cookie.*

Although Wayne says airline sales—which still account for about 60 percent of revenues—are not as profitable as direct or corporate sales, they are a key advertising tool.

Dr. Cookie's revenues fell 40 percent in 1991, as a result of a canceled airline contract and the overall drop in air travel, but Wayne expects sales to climb back to around $2 million this year, about the same as in 1990. Yarnall's daughter-in-law, Gail Yarnall, runs the 30-employee business day to day; the two founders have continued their full-time medical careers.

To finance expansion, and to speed up debt repayment, Dr. Cookie is preparing for its second stock offering. It will use a new financing method available in some states, called a Small Company Offering Registration (SCOR), which allows a small business to raise up to $1 million in venture capital without incurring all the costs of a regular offering. Last year, Dr. Cookie raised $175,000 under a SCOR. This year, using a broker for the first time, Wayne and Yarnall hope to raise between $500,000 and $1 million.

As the company grows, Wayne's professional status may prove to be useful again, as it did when he was trying to land airline contracts.

Usually, he says, it takes weeks just to get through to the director of food services for a major airline—but not for Dr. Cookie. "When you call up and say, 'This is Dr. Wayne from the emergency department,'" he grins, "they think the world's ending for somebody, and you get through instantly." NB

Because he works for a small company, the prognosis isn't good for his fellow workers either.

A serious illness in a small company can be tragic for other employees as well. When renewing its health insurance plan the company may be charged excessively high premiums and be forced to drop the plan.

At The Prudential we think reform in this area is long overdue. That's why The Prudential is backing legislation that will regulate the guidelines and rating practices of insurers so that premiums don't become prohibitive when an employee has had a serious illness.

After all, a small company shouldn't be forced to drop its health plan because an employee was sick enough to need it.

To find out more, write: New Approaches to Health Care, The Prudential, 751 Broad Street, 16th Fl., Newark, N.J. 07102-3777.

The **Prudential**

How To Buy Health Insurance

By Roger Thompson

Buying health insurance has never been tougher. It's an experience most small-business owners put on a par with a root canal—complex, time-consuming, and painful. Unlike a root canal, however, the job is never really done. The whole frustrating process starts all over again in six months or a year when the renewal notice shows up in the mailbox.

The cost—averaging $3,573 per employee a year—is the biggest barrier for small companies. But it's not insurmountable. Millions of small-business owners, like Robert E. Wood, president of All Rents, an equipment-rental company in Fayetteville, Ark., *do* buy health insurance. But Wood acknowledges that he feels more than a little overwhelmed by what it takes to get the right policy at the best price for his 17 employees.

"I have a limited amount of time with a lot of hats to wear," he says. "Between my wife and me, once a year at renewal, we spend a lot of time on and off for 30 days talking to different agents," shopping for the best policy.

"In the olden days, when health insurance wasn't the catastrophe it is now, we didn't have to shop rates every year," says Wood. "But now it seems that we have to shop for rates every year or two" because of relentless premium increases.

Not surprisingly, most small-business owners feel they are victims of a process over which they have little control. Says Thomas J. Treffert, president of J.T.L. Trucking Inc., in Fond du Lac, Wis.: "I've been with the same health insurer for a good 10 or 12 years; I'm basically at their mercy.

"I used to think that truck payments were bad," adds Treffert, whose plan covers most of his trucking firm's 22 employees. "But now health coverage is getting as expensive as truck payments. And benefits have declined in the last three or four years."

Treffert's options are more limited than most because trucking firms are among the businesses that some health insurers deem too risky for coverage. (See the box on Page 20.)

Like many small-business owners, Robert E. Wood tries to cut health-insurance costs by changing policies every year or two.

Whether you are facing renewal or buying insurance for the first time, the dilemma is the same: How do you know you are getting the most for your money?

"Most small-business owners don't have a clue" about how to shop for the best health plan, says Roy Wilkinson, president of Wilkinson Benefit Consultants Inc., in Towson, Md.

But if you know what questions to ask, "you can take charge and feel more in control," he adds.

What follows is a buyer's guide to finding the best health-insurance policy for your company. It answers some common questions and will sharpen your skills at deciding which questions you should ask before buying your next health plan.

How do I find a good agent or broker?

This question is the place to start. Agents work for one insurer; brokers do business with many. But the terms frequently are used interchangeably. A good agent or broker is your best ally in making the right purchase.

J. Beryl Clifford, president-elect of the Association of Health Insurance Agents and a consultant with ABI/CBSA Administrative Services Inc., in Minneapolis, says that small employers don't have the time or the expertise to shop the vast number of health plans on their own. It's a decision that requires the assistance of an experienced professional.

But what *is* a good agent or broker? After all, there are more than 1 million licensed insurance brokers nationwide. Not all of them can be masters of this complex field.

First, find out what kind of experience the person has, says Clifford; ask for references of business clients, get their phone numbers, and call them. "It's really dumb to give your business to someone who is inexperienced."

Experience counts because the broker "plays the role of chief cook and bottle washer for small-group plans," says Sam J. Cunningham, president of Anderson and Anderson/Benefits Insurance Brokers Inc., in Irvine, Calif. In addition, you need someone who is available to answer your questions and help you solve your

Here is a survival guide for one of the most costly decisions you will ever make for your firm.

problems after the commission has been paid.

Major insurance companies and professional associations for independent agents/brokers, such as the Independent Insurance Agents of America and the National Association of Professional Insurance Agents, provide continuing-education programs to help those in the selling area of health insurance remain up to date on the changes that affect their work.

Professional credentials are good clues to a broker's commitment to employee benefits.

Is the broker a chartered financial consultant (ChFC), a chartered life underwriter (CLU), a registered health underwriter (RHU), or a registered employee-benefits consultant (REBC)?

All of these designations require successful completion of an intensive course of study and indicate a broker's investment in his or her own professional education.

Does the agent or broker belong to key associations that specialize in health care, such as the Association of Health Insurance Agents, the Society for Professional Benefits Administrators, or the National Association of Health Underwriters?

These groups promote professional standards and education designed to hone a broker's skills.

The time invested in finding the right broker pays dividends, says Jim Hostetler, publisher of *For Brokers Only*, an industry newsletter based in Raleigh, N.C. Good brokers, he says, "serve as consultants and hand-holders" to help each small-business client find a health plan tailored to the company's particular requirements.

How do brokers shop the health-insurance market?

There are hundreds of insurance companies writing thousands of policies for the small-group market. But most brokers narrow the field by doing business with insurers who meet their standards for financial stability and customer service.

"We set agency standards on the types of companies we will do business with," says Lee Buckley, vice president of Edwin L. Buckley & Son Inc., an independent agency in Wilmington, Del., and a member of the Independent Insurance Agents of America.

Computerized database services now make it possible for brokers to obtain detailed information on insurers and specific policies at the touch of a computer keyboard.

These services include Dinan (1-800-346-2610), Group Benefit Shoppers (1-800-231-8495), Quotesmith (1-800-556-9393), and Signal Data (1-615-266-8848).

Thomas J. Treffert hasn't changed insurers in a decade, in part because some health insurers steer clear of long-haul truckers.

Can a small business get quotes from insurance databases?

Yes, but an employer should be aware of their limitations. Dinan, based in New Almaden, Calif., Quotesmith, in Palatine, Ill., and Signal Data, in Chattanooga, Tenn., provide shopping services for small businesses.

Dinan will produce a price list of all plans that match a small employer's specifications and also will supply detailed benefit and rate information on the three least-expensive plans. The service costs $59, says CEO Terry Hardtke.

For a $15 fee, Quotesmith provides a price list of all plans that match specified needs. Without an extra charge, you may then obtain a detailed benefit analysis of specific policies that look most appealing. (See the chart beginning on Page 18.)

"There is a mind-boggling array of options out there—HMOs, PPOs, Blue Cross and Blue Shield plans, and traditional plans—that have to be sorted through and winnowed down," says Robert Bland, Quotesmith's president. "If you arm yourself with market knowledge, you are better equipped to deal with your agent or broker."

For a $25 fee, companies with up to 50 employees can obtain a price-comparison list from Signal Data. In addition, Signal provides a relative-benefit index report that ranks the plans shown, taking into account overall price, out-of-pocket expenses such as deductibles and coinsurance, and projected claims based on the age of participants. "The information

gives employers a benchmark to judge the plans the broker brings in," says Frank Cowan, Signal's president.

What are the limitations to use of databases?

Not all insurers make their policy and price information available to databases. But the biggest problem, according to critics, is that databases promote shopping for price rather than quality.

"We're not in Quotesmith. I refuse to be a part of it," says Gary Kadlec, a vice president of John Alden Life Insurance Co., a leading small-group-market insurer. "They focus too much on the initial rate rather than on the insurance company behind the policy."

Howard Bolnick, president of Celtic Life Insurance Co., another leader in the small-group market, agrees. "They [Quotesmith] promote price only as the chief criterion in picking a policy, and that's very dangerous" because it fails to take insurer quality into account.

But a price list can be useful, says Hostetler. "It's a good way to get a feeling for the quality of the broker working for you. Run some of the insurance company names [on the list] past your broker, and find out whether he can talk about specific problems."

Above all, Hostetler adds, "don't fall in love with the [price-list] printout."

Why shouldn't I buy the cheapest policy available?

"Price has to be a big part of the buying decision," says independent agent Buckley. But he adds that the cheapest policy isn't necessarily the best one. Kadlec says that you may start out with a low price that is aimed at winning your business, then get a sizable rate increase when the renewal notice arrives.

To avoid this problem, Kadlec says, "What you need to be looking for is the insurer's rating philosophy."

Find out whether the insurer bases your renewal increase on the experience of a pool of small-business groups within your geographic area, or on your own company's *claims* experience. Pooling helps stabilize increases by spreading risks among the companies in the group, while individual rating can lead to increases of 50 percent, 100 percent, or more.

As a result of pooling, says Kadlec, John Alden customers have received premium increases this year averaging 9 percent to 15 percent.

Apart from rating philosophy, what else should I know about an insurer?

Is the company financially sound? Most companies are. But more than 100 life and health insurers have failed since 1985, including Blue Cross and Blue Shield of West Virginia in 1990. Its collapse left 51,000 policyholders with $42 million in unpaid health-care bills.

Several rating services provide information on the financial health of insurers. The services include A.M. Best, Moody's, Standard & Poor's, Duff & Phelps, and Weiss Research. Brokers have access to one or more of these rating services.

A.M. Best, the most widely quoted,

Health Insurance Price Comparison On Request

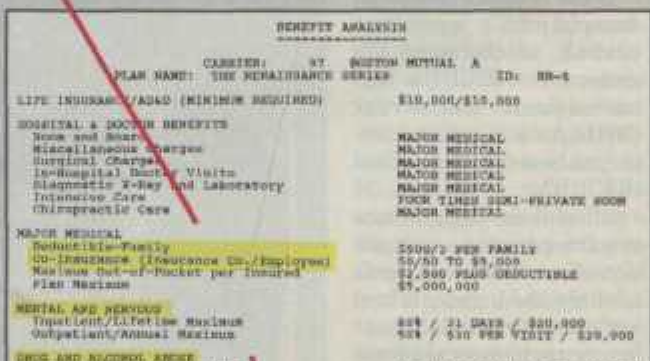
Nation's Business has found three database companies that now make their health-insurance price-comparison services available to business owners. Each of the three—Dinan, Quotesmith, and Signal Data—collects detailed information on more than 1,500 health policies offered by more than 200 insurance companies.

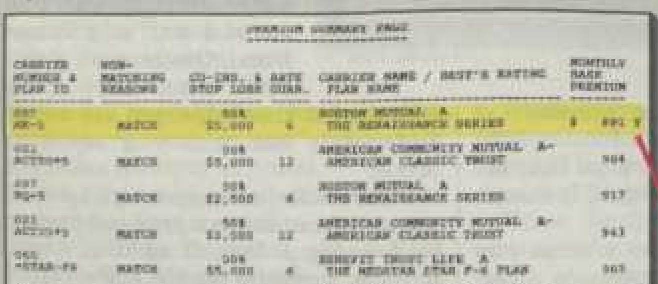
Quotesmith Corp. of Palatine, Ill., was the first to make available this new custom-search service for businesses, starting in May. Robert Bland, the company's president, provided *Nation's Business* with a sample report based on the health-plan specifications of a fictitious auto-parts store in Rockford, Ill.

The fictional company employs five men and four women, ranging in age from 19 to 55. It seeks a health plan with a $500 deductible, a coinsurance rate of 50 percent or less paid by the employee, and out-of-pocket costs no higher than $5,000 per family. The insurer must have a rating by A.M. Best of A or better.

Bland's database search turned up 182 different policies that satisfied the minimum requirements, ranging in monthly premium from $891 to $2,637 for the company. He provided a detailed benefit analysis of three policies, including the least expensive. Here's an abbreviated look at the reports:

The benefit analysis lists all the important coverage items you specified, including the deductible and coinsurance.





Separate benefit limits are noted for mental and nervous disorders and for drug and alcohol treatment.

The premium summary sorts by cost the policies that match your specifications. You may ask for a detailed benefit analysis of any policy.

rates a company's financial health on a scale from A++ for superior to D for below minimum standards. It's a good idea to pass over companies with low ratings. In fact, Hostetler advises taking a conservative approach. He favors companies with a Best rating of A+ or A++. There are plenty to pick from—240 in 1991.

"When I buy insurance," says Hostetler, "I don't want to bear any risk. That's the carrier's job. My risk is my deductible and my coinsurance—period."

What about buying from an association?

Association plans are popular because they allow small firms to join a pool and use their collective leverage to get coverage for less than they would have to pay otherwise. For certain high-risk professions that are routinely denied coverage by commercial insurers, association plans offer a much-needed source of insurance.

There are two basic types of association plans: insured plans, which purchase coverage from a commercial insurance company, and self-insured plans, which pay claims out of premiums collected from the members.

Insured plans have a good track record, largely because the insurance carrier behind the plan is subject to state insurance regulation. But before you buy an association plan, get the name of the plan's insurer, and ask about financial stability, track record, and rate-renewal practices, just as you would if you were buying the policy on your own.

Also, be aware that some associations claim their health plans take advantage of group rates when rates in fact are based on individual company experience, says benefits consultant Wilkinson. "As a result, you don't get the advantage of pooled experience," he says, leaving your company vulnerable to huge rate increases.

Many self-insured plans, known in the insurance industry as multiple-employer welfare associations (MEWAs), also have served their members well. But give close scrutiny to a MEWA if you are considering that approach. Some MEWAs have fallen through the regulatory cracks, with the result that small businesses have lost millions to fraudulent operators who have collected premiums but failed to pay claims.

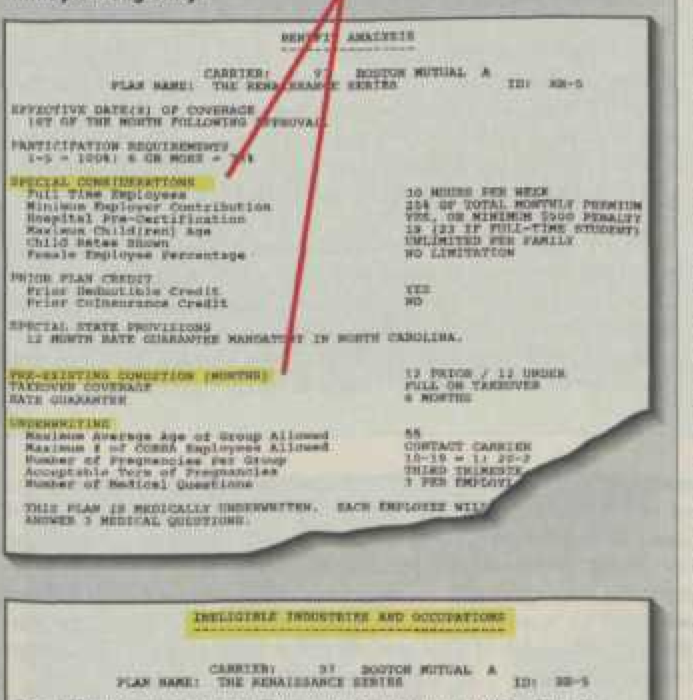
Between January 1988 and June 1991, failed MEWAs left at least 398,000 individuals with more than $123 million in unpaid claims, according to a report by the federal government's General Accounting Office. More than 600 MEWAs failed to comply with state insurance laws pertaining to reporting and disclosure, funding, and registration or licensing.

Most brokers don't sell MEWAs. "I wouldn't touch them with a 10-foot pole," says Cunningham. The ones that are suspect often are peddled by telephone sales people operating from out of state.

Before you buy a self-insured association plan, ask to see the plan's Form 5500, an annual financial disclosure statement filed with the Internal Revenue Service, advises James A. Kinder, executive vice president of the Self-Funded Multiple Employer Welfare Arrangements Coalition, based in Santa Ana, Calif. "It will pretty much tell you whether [the MEWA] is bogus or not." Don't buy a plan that can't or won't produce a Form 5500.

When in doubt about an association plan, call your state insurance commissioner's office for guidance.

A section on special considerations notes restrictions on eligibility and coverage. Pre-existing conditions and medical underwriting limit plan eligibility.



Insurers routinely deny coverage to industries and occupations that they consider to be too risky.

What kind of insurance plans are most small businesses buying?

Most small companies still buy a traditional type of plan that allows employees to select the doctor of their choice, and the insurer pays for most medical services. To control costs, these plans generally offer, or require, a variety of managed-care techniques, such as preauthorization for hospital care, second surgical opinions, utilization review, and case management for chronic conditions.

Spiraling premiums are forcing many small businesses to switch to preferred-provider organizations. PPOs offer a limited selection of hospitals and/or doctors in exchange for discounted fees.

Large companies have offered PPOs for years, but insurers have been slow to make this option available to small companies. That's changing rapidly.

"Over half of our new small-business customers buy PPOs," says Terry Tuohy, who oversees managed-care operations for The Travelers insurance company.

Tuohy says small companies are making the switch for a simple reason: "Money talks." A PPO typically saves a small business 15 percent on total premiums compared with a traditional plan, he explains. "In today's business environment, a 15 percent discount is enough to tilt the equation to PPOs."

Unlike The Travelers and other large insurers, small insurance companies typically can't afford to set up their own PPOs. But many of these niche players now are signing marketing agreements with existing PPOs, whether they are owned by a large insurer or independently owned.

Celtic Life, for example, has just signed a marketing agreement with Health Care Compare to make that company's PPOs available nationwide to Celtic's small-business customers, says Bolnick. And John Alden has marketing agreements with about 35 PPOs throughout the country, says Kadlec.

"The future of health insurance for small business is PPOs and HMOs [health-maintenance organizations]," says Richard H. Neil, senior vice president for group health with The Principal Financial Group. The Principal has marketing arrangements with 54 PPOs na-

tionwide in addition to owning 13 PPOs and 10 HMOs.

What if my doctor isn't a member of the PPO?

The biggest problem in selling PPOs to small businesses is that the owner's doctor often isn't on the list of participating physicians.

To combat that problem, some insurers now offer PPOs that restrict only the choice of hospitals but not the choice of doctors. "That's our standard PPO plan," says Bolnick. "We're finding that it is very popular."

Other PPOs allow participants to use non-PPO doctors, but they must pay a higher portion of the doctor's bill than when they see a PPO doctor.

What level of deductible is most popular?

Deductibles represent the amount an employee pays out of pocket before the insurance pays any portion. "The $250 deductible is the most common, but it's headed to $500," says Kadlec.

"In 1986, well over 80 percent of our business was with a $100 deductible," says Bolnick, of Celtic Life. "Today, about 60 percent of our business is a $250 deductible, and the $500 deductible is becoming more popular." The larger the deductible, the lower the premium.

Anything less than a $750 deductible is a bargain for employees, says Tuohy, of The Travelers, because deductibles haven't kept pace with inflation over the past decade. If the $100 deductible of 1980 had kept pace with the inflation in health-care costs over the past 12 years, it would have grown to about $750 today.

Some small employers are opting for high deductibles but are paying most of the deductibles themselves, says Maureen O'Shea, president of Focus Consulting, in Greenwich, Conn. This cuts premium costs and allows the employer to save money even after paying deductibles on behalf of employees. "With a small company, you're not dealing with a lot of [financial] exposure," she explains.

What level of coinsurance is most popular?

Coinsurance represents the percentage of medical expenses paid by the employee after the deductible has been met. The most common plans today have an 80/20 coinsurance provision that applies to the first $5,000 in medical expenses after the deductible.

That means that the insurer pays 80 percent ($4,000) and the employee 20 percent ($1,000), after which the insurance pays 100 percent up to the policy's limit.

These reimbursement figures assume that the medical expenses did not exceed the maximums set by the insurance company for the services provided. (Costs in excess of insurance companies' maximums are paid by the insured individual; for more details, see the section below on "What's in the fine print. . .")

Employers can cut premium costs by switching to 50/50 coinsurance on the first $2,000 of medical expenses. That limits the employee's maximum out-of-pocket payment to $1,000, the same as with the typical 80/20 plans.

Employers save because this design shifts more routine costs onto the employee. But for that reason, the design isn't very popular.

"We've tried 50/50 plans a number of times over the years and had no success with them," says Bolnick. "It's a sensible plan; it's one of the things employers can do to control costs themselves. But it's not popular because it shifts costs to employees."

How much of the health-plan premium do employers pay for their employees?

"A surprising number of small companies still pick up 100 percent of the premium cost," says Wilkinson. He estimates that 70 percent to 80 percent of all

Types Of Businesses Turned Down For Health Insurance

In survey responses from 32 insurance companies, the following percentages of the firms reported they do not insure these types of businesses:

Bars and taverns	31%
Entertainment businesses	28
Mining and quarrying	28
Bus, limousine, and taxi companies	25
Hair salons	22
Fishing industry	22
Logging and sawmills	22
Barber shops	19
Detectives, security guards, collection agencies	19
Explosives manufacturing and distribution	19
Hospitals	19
Liquor stores	19
Government agencies and municipalities	16
Junkyards and salvage firms	16
Law firms	16
Nursing homes	16
Trucking firms	16
Restaurants	16
Physician groups	6

Source: Wendy K. Zellers, et al., *Health Affairs*, Spring 1992

CHART: DEBORAH J. HUMPHRIES

Denying Coverage To Small Firms

The refusal of health-insurance companies to cover small employers engaged in activities that the insurers consider too risky affects approximately 15 percent of all small businesses, according to a new study by the University of Michigan School of Public Health.

The study, reported in the spring issue of *Health Affairs*, surveyed 45 health-insurance companies, including the 10 largest, and 37 insurance agents in four states. Nearly two-thirds of the insurers and virtually all of the agents said that they avoid doing business with certain types of small companies.

Bars and taverns ranked at the top of the insurers' list of ineligible businesses. (See the chart.)

High risk, hazard, and administrative costs associated with employee turnover are the insurance companies' biggest concerns. In addition, insurers routinely deny coverage because employees or dependents have high-cost pre-existing medical conditions.

The insurance industry acknowledges that many small companies have difficulty finding coverage, but it rejects the claim that they are foreclosed from insurance. Noting that there are "hundreds of insurers in the marketplace," Donald White, spokesman for the Health Insurance Association of America (HIAA), in Washington, D.C., says that "in our experience, coverage is available."

HIAA has conducted a coast-to-coast lobbying effort to persuade the states to enact insurance marketing reforms that would, among other things, guarantee small companies access to health insurance regardless of the type of business or the status of employees' health. Since 1990, 19 states have enacted guaranteed-access laws, and more are expected to follow.

companies with fewer than 20 employees require no contribution from employees for individual coverage.

Most companies require employees to pay some or all of the cost for dependent coverage, however.

Do I have to submit to medical underwriting?

Underwriting is the way an insurance company decides whether it wants your business. Few small groups escape this process. It typically requires filling out a questionnaire on each covered individual, including dependents.

"Most small-business owners don't have a clue" about how to shop for the best health plan.

—Roy Wilkinson
President
Wilkinson Benefit Consultants Inc.
Towson, Md.

PHOTO: T. MICHAEL KEZA

The long-form questionnaire asks extensive and detailed questions about an individual's medical history.

The short form asks broader questions.

Based on your answers, the insurer may choose to restrict or exclude coverage for particular medical conditions, deny coverage for high-risk individuals, or reject your entire group.

Since 1990, 19 states have passed "guaranteed issue" laws that prevent insurers from using medical underwriting to reject individuals or groups.

The states that have enacted such laws are Connecticut, Delaware, Florida, Iowa, Kansas, Maine, Massachusetts, Minnesota, Missouri, New Hampshire, New Jersey, New York, North Carolina, Oregon, Rhode Island, Tennessee, Vermont, Wisconsin, and Wyoming.

More states are expected to pass similar legislation.

Can't I just lie about medical problems?

"If you have health problems, don't hide them," says Clifford. The insurer has the right to cancel a policy if false information is put on medical questionnaires.

What's in the fine print that can cost me big bucks?

Examine your policy carefully for the following:

■ Make sure you understand what is not covered. Among the medical services routinely excluded are birth-control pills, custodial care, hearing aids, private-duty nursing, and well-baby care and nursery charges.

Every policy comes with a long list of such exclusions.

■ Does the policy cap employees' maximum out-of-pocket expenses? Most cap individual or family-plan expenses at between $1,000 and $5,000. But some have no such cap—an omission that can lead to an individual's financial ruin. If an employee has an 80/20 plan with no maximum out-of-pocket limit and runs up a $100,000 hospital bill, the employee's share of the bill is $20,000.

■ Even if your employees have a maximum out-of-pocket limit, they may still owe more money if medical costs exceed the allowable reimbursement levels determined by the insurance company. Most policies establish a reimbursement schedule based on usual, customary, and reasonable (UCR) costs. Some use other methods. And some just stipulate reimbursement amounts.

If costs exceed the fixed reimbursement rate—regardless of how it is figured—your employees pay the difference. For example, if the UCR rate for a tonsillectomy is $1,000 and the surgeon's bill is $1,500, an employee must pay the balance regardless of the maximum out-of-pocket limit. And none of that excess counts toward the employee's deductible or coinsurance.

Make sure you ask how the policy sets reimbursement rates. Does it pay 100 percent of UCR? If it uses some other rating method, how realistic is it?

■ Does your policy have a lifetime-benefits cap? Policies typically set a cap of $1 million, a level generally considered to be adequate. But some plans set lifetime caps at $500,000 or even lower. In a catastrophic case, an employee would pay all bills after the insurer hits the cap. Know what your cap is before you buy the plan.

■ Check the intensive-care reimbursement limit. It frequently is calculated at three times the semiprivate daily room rate. But if that rate is $300 a day and the intensive-care charge is $1,500, you get hit for $600, the difference between $900 and $1,500.

I still feel overwhelmed. Where can I get more help?

If you want advice from someone who doesn't sell health insurance and won't make a sales pitch, talk with a benefits consultant.

One firm that specializes in helping small companies is Wilkinson Benefit Consultants Inc. (1-800-296-3030). For a flat fee, the firm will search its database of thousands of health plans to come up with what it considers the best three recommendations for your company.

"We become a small company's temporary benefits department," says Roy Wilkinson, who has 19 years of experience in employee benefits. "We digest and interpret all the information available" and make recommendations based on an insurance company's financial stability, track record, customer service, and rating and renewal policies, he explains.

Price is important only as a starting point for developing recommendations, Wilkinson says.

The fee for this service is $250 for companies with one to four employees; $300 for those with five to 10; $400 for 11 to 20; and $500 for 21 to 30. For larger companies, the fees are negotiated.

Wilkinson's company is independent and does not sell insurance. But his firm can help clients who don't have a broker find an experienced one from a preferred broker list.

Two recent books may also help. One is *The Complete Small Group Health Insurance Handbook*, by William Y. Wilson Jr. (Essentialbooks, 1992, $14.95). It is a plain-English guide to understanding small-group health insurance.

The other is *Your Money Or Your Life: How To Save Thousands On Your Health-Care Insurance*, by Donald Jay Korn, (Collier Books, 1992, $10). It gives clear explanations of health, disability, and long-term-care insurance, and it helps guide individuals and small employers to make the best choices when purchasing any of these plans. NB

A good broker "plays the role of chief cook and bottle washer for small-group plans."

—Sam J. Cunningham, President
Anderson and Anderson/Benefits
Insurance Brokers Inc.
Irvine, Calif.

PHOTO: KIM MENDENHALL

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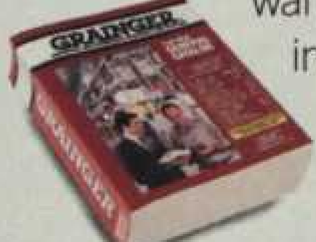

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MANAGING

How To Get Your TQM Training On Track

For small and midsize businesses, just figuring out how to learn the skills of quality management can be a daunting task.

By Patricia A. Galagan

PHOTO: GRAY McDONOUGH

Pat Lancaster, *second from left, seen here with employees Bob Underwood, Cindy Morrison, Marvin Jones, and Steve De Grasse at Lancaster's Louisville firm, Lantech, says a five-year investment in training is starting to pay off.*

Of the 20 million small businesses in the U.S., only a handful are practicing true Total Quality Management. A few more are somewhere on the steep learning curve that gets companies to the point that they're ready for TQM.

For the rest, it's business as usual.

The pioneers have discovered that it takes training, training, and more training to be a quality company. Not just formal training in a classroom, but a whole range of learning experiences, from reading books to inventing new work processes as a team.

A common belief among companies just starting to pursue quality is that it can be learned quickly. The basic principles—focus on the customer, and continuously improve your product or service—seem simple enough. Until, that is, you start trying to apply them.

"You read about the need to be patient, and after a year of trying, I can say it's true," acknowledges Charles Jett Jr., of Premix Industries, a maker of just-add-water bagged concrete. The company, based in Chesapeake, Va., has 165 employees.

"Quality takes a long time to learn, and I wish we had accepted that earlier," Jett says. "It would have saved us a lot of anxiety and frustration. TQM turned out to be a much more encompassing philosophy than we thought. We thought we'd read a Deming book [management consultant W. Edwards Deming is a TQM pioneer] and maybe a book on teamwork and be done."

Lengthy preparation for the real action is common in small and midsize companies. People spend what seem like huge amounts of time reading about quality or going to training courses, only to realize they don't know much and their company hasn't really started quality management.

"The TQM journey has a lot of surprises in it," says Pat Lancaster, president of Lantech, a manufacturing company of 330 employees in Louisville, Ky. Lantech makes machines that wrap large items in plastic.

"One of the surprises is the length of time it takes to actually begin," he says. "In our case it took two years."

Elaine Biech, a partner in "ebb associates" of Portage, Wis., has been a TQM consultant and trainer for several years. "The biggest problem we have is to put reins on people," she says. "They want to train everybody at once because training has been touted as the answer to all their quality problems." But the critical first step, she says, is to train the managers and supervisors thoroughly, "so that when the rest of the staff comes out of training they won't get shut down for practicing their new skills."

Building a friendly environment for TQM—what quality consultants call a culture—is some of the hardest work they've ever done, say people who've been through it.

"I was surprised at the degree of organizational shock we had to go through," Pat Lancaster recalls. The top managers in his family-owned business had to make a commitment to change some of their deeply held views about how to run things. Wrenching as that was, it was only the first step.

"An organization that has a belief in TQM and a commitment to it is only about 10 percent of the way there," Lancaster warns. "The key is to change behaviors and overcome resistance to those changes."

But what kind of training is most likely to bring about such change? You can choose among hundreds of versions of TQM. Whether sold by a single consultant or by a large training organization, each program reflects the values and beliefs of its inventor.

Most TQM training should cover some or all of a basic set of skills, says Richard

Patricia A. Galagan is editor of Training & Development *magazine, published by the American Society for Training and Development, in Alexandria, Va.*

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MANAGING

PHOTO: [illegible]

Jim Zawacki, *owner of Grand Rapids Spring & Wire Products, in Michigan, concentrated his quality efforts on building a culture hospitable to TQM, and on training in statistical skills.*

Wellins, senior vice president of Design Dimensions International, of Pittsburgh. DDI is one of the biggest TQM vendors, with annual sales of $60 million. Those skills, he says, fall into three areas:

Leadership skills. These skills must be acquired by managers and supervisors. They must change their leadership behavior to become more receptive to ideas from others, to be coaches rather than controllers of people, and to facilitate things rather than mandate them.

Teamwork skills. TQM often involves working in teams. "Most people won't necessarily have the skills to work in teams as leaders or participants," Wellins says.

Technical skills. Sometimes called quality tools, these include dozens of methods for studying a problem and displaying the results of analysis.

"A big mistake that companies can make about TQM training is to put people into classes without first figuring out what skills they need," warns Richard Chang, of Richard Chang and Associates, Inc., a consulting firm in Irvine, Calif. "Not everyone will need the same skills. It will depend on what business processes they work on, and who their customers are."

Many people in search of a TQM consultant or training program feel that they are about to swim in shark-infested waters. After several years of seeking help, Pat Lancaster warns: "There is bad information out there and a fair number of consultants who don't have the backbone to belly up to the client's table and get straight."

Premix Industries' Charlie Jett started by looking in the Yellow Pages under "Consultants." He says, "We interviewed them all and didn't like any of them." The local chamber of commerce directed him to the Total Quality Institute in Portsmouth, Va. It provided the course in group facilitation that Jett wanted.

Jim Zawacki, owner and president of Grand Rapids Spring & Wire Products, in Grand Rapids, Mich., with 160 employees, put his early money and training effort into "getting people to understand why we're in business" and into building "trust, relationships, integrity, and communications." He had no formal guide or mentor for this, only his own beliefs about quality management.

"I really believe that TQM starts with culture," he says, "and culture is the responsibility of management. It's taken years, but today we share financial statements with our people. They know that when we talk about improving an operation from a quality standpoint, we're not trying to eliminate jobs."

Zawacki says he also spent "a lot of money" on formal technical training, starting with statistical process control (SPC). Before these courses could begin, some employees needed to learn basic math skills. Zawacki taught those skills himself. For the SPC courses, he hired community college teachers.

A high level of care for employees and a big investment in training paid off for Grand Rapids Spring & Wire, Zawacki believes. In the past five years, on-time delivery has gone from 60 percent to over 95 percent. Inventory has gone down 30 percent, and sales have doubled.

Lantech, the stretch-wrap machine manufacturer, bought mainly big-brand-name consulting and training for its TQM effort. Like Zawacki, Lantech's president, Pat Lancaster, spent a lot of time—a year, in his case—building commitment to the idea of TQM before buying training. To do this, teams of employees, including Lancaster, held many discussions about the human values in the company's vision and strategy.

Lancaster says he got his ideas about how to proceed "from the TQM salad bar" of books and theories. Then he hired a business consulting firm to assess the levels of quality awareness of Lantech's top managers, middle managers, and people on the shop floor.

"They gave us a rather grim report," he recalls. "We hired them to help us along, and we started some projects that were probably too large and grandiose."

A year later, Lantech hired a second consulting firm to assess its position again. "They reported we were pretty close to where we were the first time," Lancaster admits. At that point, Lantech decided to do some in-house training because, he says, "we couldn't find training about quality that was consistent with our values."

From the president of another company Lancaster learned about the training firm Design Dimensions International. "We had a value alignment with DDI," he says. "They believed, as we did, that self-esteem boosts productivity, and that it's leadership's job to enhance self-esteem. We made an enormous investment in training, thousands of hours of training for over 300 employees."

Lantech now works with another large consulting company, Time-Based Management. Lancaster describes it as "a sort of graduate school for us." Time-Based Management provides technical training and has helped Lantech's engineering and manufacturing operations pick up their pace by encouraging employee teams to focus less on how they made decisions and more on how they carried them out.

After five years of effort and a major investment in training, TQM seems to be working at Lantech. In a typical change, a process-improvement team, made up of floor workers, managers, and engineers, redesigned the process for building semi-automatic stretch-wrapping machines. Instead of building 10 machines at a time, as before, they now produce machines as customers order them.

Very few small companies can afford to buy TQM training directly from big-name vendors, as Lantech did; they must be more inventive in seeking help with TQM. But the motivation behind their search should be the same as the motivation behind Pat Lancaster's: to seek out the avenue to TQM that best fits their companies' values and circumstances.

The small company that approaches

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MANAGING

TQM in that spirit will find that it has plenty of options, even when its training budget is lean. Among them:

Hire small or midsize consulting firms. With lower overhead than the giants, they often can offer more-attractive deals.

Buy off-the-shelf training programs. Such training programs cost less than programs designed for specific customers. A middle-range option is to buy a packaged program from a supplier who can adapt it for your company, for a fee.

Form partnerships with local educational institutions. One way to enjoy the expertise of big-company consultants at small-company prices is to search out community colleges and vocational schools that will form training partnerships with small businesses. The schools license training from major training suppliers to avoid the costly and time-consuming task of developing training programs themselves. Zenger-Miller, an international training and consulting firm based in San Jose, Calif., has been taking part in such partnerships since 1983 and now serves schools in 23 states.

In any case, what is absolutely critical is not choosing a particular path to TQM, but making the unqualified commitment to find the path that is right for you. Lantech, for example, was able to keep pressing toward TQM, despite all its false starts and disappointments, because its owners and managers knew what they wanted to achieve.

"We didn't have the Japanese coming over the ocean and cleaning our clock," Pat Lancaster says. "No customer or competitor was pushing us. But there was something out of sync about our internal focus. The big cultural shift for us was to recognize that we are really here only to satisfy the customer." NB

To order reprints of this article, see Page 71.

TQM Seminars

Training in Total Quality Management for small businesses is available this fall via televised seminars offered by the U.S. Chamber of Commerce at locations throughout the country.

The series began Sept. 17, and a total of 10 seminars will be offered by such authorities as A. Blanton Godfrey of the Juran Institute, Philip B. Crosby, and Peter Scholtes before the seminars end in December.

For information, call Alan A. Wheeler at the Chamber's Quality Learning Services Division at (202) 463-5570.

BUSINESS DEVELOPMENT

Seed Funds For The Smallest Start-Ups

"Microenterprise" programs offer support and modest loans for small firms.

By Bradford McKee

No safety inspector was about to give Kimberly Braley a permit to open Park Street Day Care. The building she had picked, a former church in Freeport, Maine, had train tracks running a few yards behind the back lawn.

Moreover, no local bank or credit union would lend her the small amount of money she needed to build a fence between the yard and the railroad and to buy a swing set. She was in a bind. That was two years ago, when her boss had abruptly closed the day-care center where Braley was working, leaving her to choose between self-employment and unemployment.

Braley hoped to borrow start-up cash and relocate the day-care center. Loan officers at local banks and credit unions—most of whom, she says, knew her, her clientele, and her potential to make money—told her, sorry, come back in two years with a "track record."

The saddest part, says Braley, would have been to split up her group of pre-schoolers. "Consistency is of the utmost importance," in child care, she says. Then she recalled having heard someone talk about Coastal Enterprises Inc., a nonprofit organization in the nearby town of Wiscasset.

Coastal Enterprises is one of a growing number of nonprofit community groups nationwide that support local small-business start-ups with modest loans.

Within three weeks of calling Coastal Enterprises, Braley had borrowed $1,500 at 12 percent interest, built a fence, obtained an operating permit, bought a swing set, and kept her diminutive charges together. "It was a small amount of money, but it made a substantial difference" in getting the day-care center going, she says.

Scores of local self-employment support programs like Coastal Enterprises have sprung up across the country. Unlike a lot of business-support centers, these programs don't simply help loan applicants with their paperwork. They *make* loans—small loans, or "microloans," ranging from a few hundred to several thousand dollars.

Strings are attached, but they are to help. Most entrepreneurs borrowing from these "microenterprise" funds, as they are called, must be active in the funds' support groups for fellow entrepreneurs, or they must enter individual business-management training with microenterprise program counselors.

Coastal Enterprises, founded in 1977 by its president, Ronald L. Phillips, is a lot like the 100 or so newer microenterprise groups formed in the U.S. in the past three years. With about $3 million in its small-business lending fund (which was set up formally in 1987 with foundation grants), Coastal Enterprises targets low-income women and families—the unemployed, welfare recipients, or others who may be on the brink of poverty—in Maine's coastal region, says Phillips.

But Coastal is different from some newer microbusiness funds in that it lends money directly to individuals only. Some programs, on the other hand, embrace a philosophy of "group lending," which is a peer-panel method of making loans to the groups' members.

Among successful group lenders are the Mountain Microenterprise Fund, in Asheville, N.C., and the Women's Self-Employment Project, in Chicago. Participants in such programs form circles of four to six business owners each. Members of each group decide who may borrow first from the general loan fund, based on who seems most prepared to invest and repay the loan. Program administrators play only minimal roles in group-lending judgments. Ability to borrow then moves serially about the group, one member at a time, with no one else eligible until the previous loan is at least close to being repaid.

Default rates among lending-group programs are low, studies show. For instance, the nonprofit Coalition for Women's Economic Development, which lends to groups of low-income women in the Los Angeles area, has extended 81 loans amounting to $147,000, says coalition workshop leader Isabel Duran. All but 2 percent of the loans have been repaid in full.

PHOTO: DEAN ABRAMSON

The picket fence *that separates Kim Braley's day-care center, in Freeport, Maine, from the train tracks was obtained with a loan from a microenterprise program.*

Most microbusiness programs get their funding from private foundations, or, as in North Carolina, from a state legislature willing to experiment with new business-development ideas.

And now that the U.S. Small Business Administration (SBA) has seen how the private seed-capital community can help disadvantaged business owners, it has announced a $15 million pilot microloan program aimed at minorities, women, and poor would-be entrepreneurs. This fall, the SBA will begin a test of small loans

PHOTO: EDUANE HALL

Birdhouse maker *Frank Matthews displays his craft to other members of a Candler, N.C., "lending circle." From left are entrepreneurs Vicki Weiss, Christopher Just, Tim Williamson, and Susan Steingress.*

through 35 selected nonprofit groups nationwide—Coastal Enterprises is one—departing somewhat from the conventional bank-lending system that leaves out the many entrepreneurs who lack collateral.

Turning poor people or people living in poor areas into entrepreneurs can present several problems, however, and the foremost are policy barriers, according to advocates for microenterprise. They explain that although self-employment may be a popular way to ease people off welfare, the rules of welfare can stand in the way. For example, residents of federal public housing are restricted by government rules from starting home-based businesses or earning money in their homes.

In addition, the 13.6 million recipients of Aid to Families With Dependent Children (AFDC) entitlements—to which Medicaid assistance also is tied—may not accrue more than $1,000 in personal wealth; business income is included in that total.

Joyce Klein, a microenterprise specialist at the Corporation for Enterprise Development, a Washington policy group, says more government leeway could be given to welfare-dependent people trying to become self-sufficient business owners. "You lose your benefits the second you get a loan or open a business," says Klein. "We think it would be good to see more flexibility [as to] when someone is technically employed."

The federal government, for a few test projects, has allowed its welfare rules to be waived for self-employment initiatives, and the results have been promising.

On certain Tuesday evenings on the deck outside Rick Steingress's Candler-town Chairworks Inc., in Candler, N.C., a group of six entrepreneurs meets to swap advice. This is the Candler Group, one of 22 lending circles formed by the Mountain Microenterprise Fund. Steingress, the group leader, says the meeting is "sometimes rowdy."

The Candler Group's focus lately has been on Vicki Weiss and her husband, Howard, who have just borrowed about $1,000 from the Mountain fund for their business at 16 percent. The couple creates T-shirts bearing designs from Howard's heritage of Seneca Native Americans. Vicki manages the enterprise.

The group wants to know how the Weisses' shirts are selling. Other members inquire: Any new accounts? Do you have a sales representative yet? Can you sell at wholesale prices?

"They've shed light in areas where if we hadn't joined the group, we'd have learned the hard way," says Vicki Weiss. "They really make you aware of what your business is about."

Christopher Just, a former Peace Corps volunteer who is director of the $100,000 Mountain fund, says group members listen to one another's loan proposals, then grill them for details. "The group might ask to see letters of intent" from a member's customers, he explains. "A lot of times people are borrowing to buy equipment. The group will say, 'Show us a quote,' or, 'I know where you can get it cheaper.' "

Each lending circle, apart from the general Mountain fund, also starts a group savings account. Dues begin at $2 per meeting.

Recently, the Candler group used a few hundred dollars of its savings to help one member, potter Cat Jarosz, buy high-grade clay in preparation for an upcoming pottery show. Jarosz would pay the loan back afterward.

These may sound like small sums all around. But as Kimberly Braley proved with Park Street Day Care, most start-ups don't need huge amounts of money. In fact, according to many entrepreneurs, having too much cash at the start can be a curse for a small business.

Today, Braley recalls the "extremely frustrating" ordeal of trying to borrow what seemed like a paltry sum of money from a bank, and then remembers how "thrilled" she was to get the seed loan from Coastal Enterprises.

"I really feel like I owe a lot to Coastal Enterprises" for making the seed loan possible, she says. "Without them, I might have lost my clients." NB

To order reprints of this article, see Page 71.

For More Information

Seed funds and entrepreneur-support programs have grown quickly and quietly over the past three years, helping self-employed people and those who own very small firms. To find out more about microbusiness and loan opportunities, contact any of these organizations:

The Association for Enterprise Opportunity (AEO), 304 N. Michigan Ave., Suite 804, Chicago, Ill. 60601; (312) 357-0177. The director is Beverly Smith. AEO represents more than 100 groups nationwide promoting entrepreneurship for people with limited income and resources.

The Self-Employment Learning Project (SELP) of The Aspen Institute, based in Washington, D.C. SELP looks at the potential for self-employment among low-income individuals and publishes the *1992 Directory of Microenterprise Programs*, detailing 108 microbusiness organizations. It costs $10. Order from Aspen Institute Publications Office, P.O. Box 222, Queenstown, Md. 21658.

The U.S. Small Business Administration (SBA) can tell you how to find the nearest participant in its new, 30-state pilot Microloan Program. Find out more by calling the SBA Answer Desk, 1-800-827-5722, or your regional SBA office, listed in the blue pages of the phone book.

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SPECIAL REPORT

Trucks For '93

By Julie Candler

The nation's highway network and transportation industry are the engines of the American economy, according to the American Trucking Associations, based in Alexandria, Va. And this year, as usual, the cost of the truck component of that "engine" is heading up—between 2.5 and 5 percent for most 1993 models over 1992 models.

Those percentages for 1993 models are about the same as the rate of price increases posted last year for 1992 trucks, and those increases did not hurt the sales of light, medium, or heavy trucks. In fact, sales in all three weight categories were up for 1992 models.

One explanation for the strength of truck sales is that many firms are replacing their fleets' vehicles at shorter time and mileage intervals than before, according to Runzheimer International, a Rochester, Wis., firm that tracks transportation costs. The reasons, Runzheimer says, are mainly to minimize maintenance costs, emphasize a modern corporate image, and maintain driver morale.

In the light-truck category, minivans—classified as trucks—are growing in popularity for business fleets, while the number of full-size vans in use is decreasing.

Rear-wheel anti-lock braking systems are standard or optional on most 1993 light trucks. More medium and heavy trucks are now available with safety devices that make jack-knifing less likely.

Continued price rises are almost inevitable, largely because of new federal regulations pertaining to safety, fuel economy, and exhaust emissions. According to experts, trucks of all sizes are much safer, more fuel-efficient, and less likely to emit air-polluting substances than previous models.

The Clean Air Act of 1990 tightens emissions standards for fleets of 10 or more vehicles that are fueled in a hub where air pollution is a problem. The requirements are achievable only with alternatively fueled vehicles—those that don't run on diesel fuel or gasoline.

This and other government rules have prompted some truck makers to devote huge resources to developing alternatively fueled vehicles. Some are fueled with compressed natural gas (CNG), others with liquid propane gas (LPG).

Ford Motor Co. has spent $1.7 billion developing alternative-fuel vehicles and recently introduced LPG-run trucks—the medium-heavy F-600-G and F-700-G.

In the 1992 model year, GMC Truck sold 2,000 of the full-size 2500-series ¾-ton Sierras operating on CNG. They have three 8.75-foot-long natural-gas tanks concealed beneath their bodies, and their range is about 200 miles. For 1993, GMC is adding natural-gas-fueled models of its Sierra 1500 series. Both the 2500 and 1500 vehicles use a natural-gas version of the 5.7-liter V-8 engine.

Chrysler offers a natural-gas-powered, full-size Dodge B-250 van converted in factory production to run on CNG. It features the 5.2-liter V-8 engine

Light Trucks

Here is what's new in the light-truck field of Class 1 (up to 6,000 pounds gross vehicle weight, or GVW), Class 2 (6,001 to 10,000 pounds), and Class 3 (10,001 to 14,000 pounds):

Chevrolet. The addition of a new gasoline engine in Chevrolet Motor Division's Class 3 low-cab-forward Tiltmaster makes it the only vehicle of its kind with a

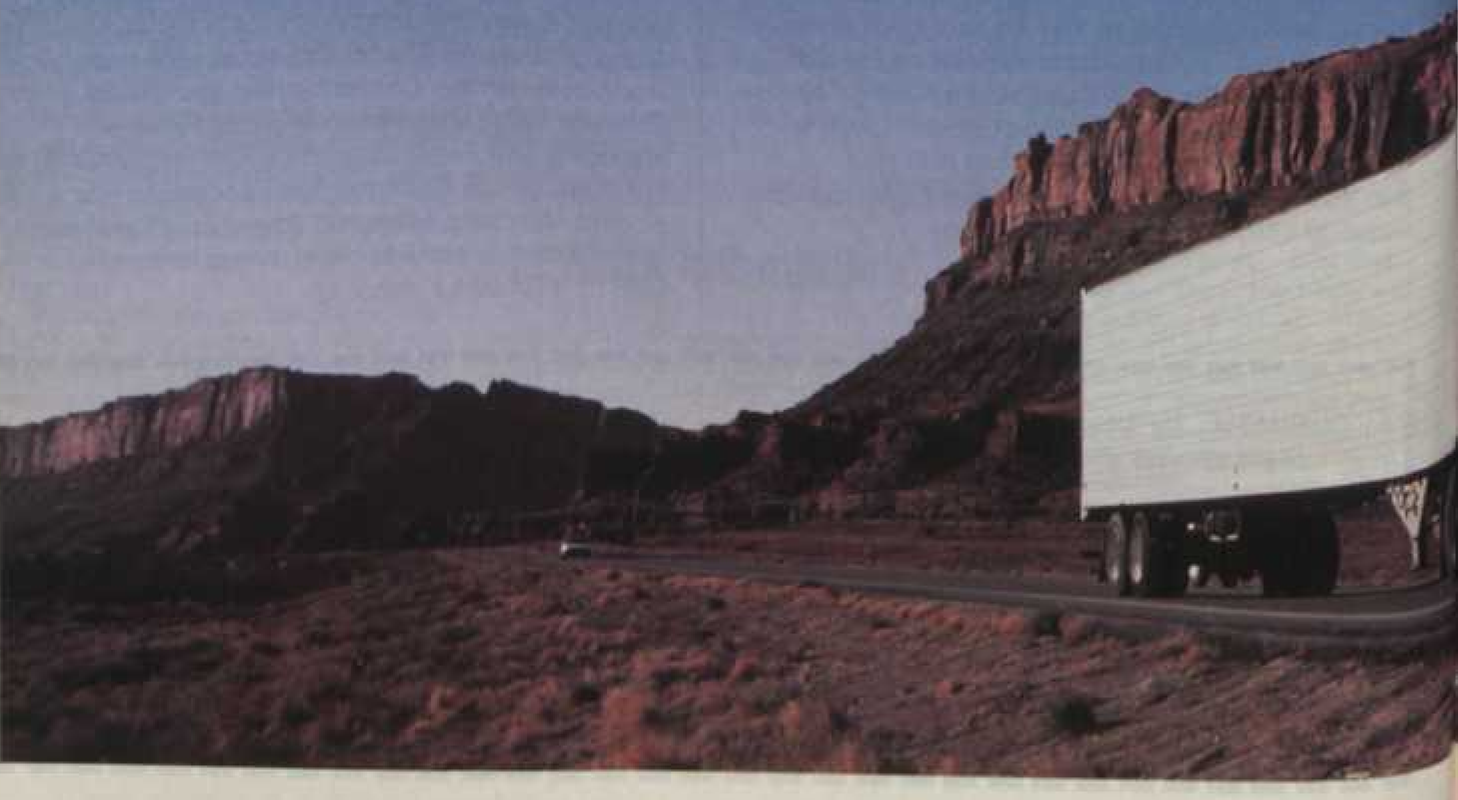


PHOTO: ©JOHN ROBERTS—THE STOCK MARKET

The latest models of trucks—designed for a host of business uses—are safer, more fuel-efficient, and cleaner-running than ever.

gasoline engine. (The low-cab-forward configuration seats the driver ahead of the front axle, provides more cargo space for comparable length of truck, has a shorter turning radius, and offers better visibility as well as easy entrance and exit.) The vehicle is nearly identical to Isuzu's NPR EFI, described below.

Dodge. Sales of the full-size Ram ¾-ton and one-ton pickups zoomed to 30 percent of its diesel market after Dodge offered these vehicles with a 5.9-liter, six-cylinder turbodiesel manufactured by the Cummins Engine Co., in Columbus, Ind. For 1994, Dodge plans to introduce an all-new Dodge Ram powered by a version of the V-10 gasoline engine that makes the new Viper sports car so hot.

Ford. A face-lifted compact Ranger arrives for 1993. The hot-selling vehicle has new sheet metal with aerodynamic styling and a rounded front end. New limousine-style doors improve sealing and reduce wind noise, making the Ranger's interior pleasantly quiet at high speeds. The payload is increased on Regular Cab models, and an optional payload package is available on the SuperCab models.

Ford is readying a midsize pickup for the market, and the company expects to make available turbocharged versions of its 7.3-liter diesel engine.

GMC. In addition to its two factory-produced natural-gas-powered Sierra pickups, GMC's 1993 lineup also includes specially prepared alternative-fuel vehicles in three gross vehicle weight rating (GVWR) categories of the Sierra and the 3500-series Rally/Vandura full-size vans with the 5.7-liter V-8. Customers may choose the specific type of fuel or a combination of gasoline and natural gas or propane if they need multifuel capabilities.

GMC also added a gasoline engine for its Class 3 low-cab-forward truck, the Forward, supplied by Isuzu. (For details, see Isuzu Truck of America, below.)

Another addition is a new model of the full-size Vandura 3500 HD, designed as an ambulance, motor home, or delivery truck. It is a combination of the GMC P-3500 chassis and G-van Cutaway cab, in the GVWR range of 10,100 to 14,500 pounds. Other new models are a chassis-cab version of the Sierra Crew Cab pickup, and a 9,200-pound GVWR model of Vandura, the G3500 full-size van.

Isuzu. For 1993, American Isuzu Motors adds a two-door RS model to its flagship line, the four-wheel-drive Trooper. The four-door, contemporary-

SPECIAL REPORT

styled sport-utility vehicle made its debut in January. Power is upgraded with a 3.2-liter V-6 power plant, with single or dual overhead cam, evoking 175 and 190 horsepower, respectively.

The interior cargo room of the five-passenger vehicle is a large 51.7 cubic feet with the seats up.

Isuzu Truck of America Inc. A separate company, Isuzu Truck of America introduced its new Class 3 NPR EFI for 1993. It is the industry's first low-cab-forward gasoline-powered truck. The truck is a joint venture with GM, for which Isuzu distributes the same vehicle as the Chevrolet Tiltmaster and GMC Forward. Powering them all is a war-horse engine, a tried-and-true, 5.7-liter GM V-8 engine first introduced in 1955.

The truck is intended for downtown pickup and delivery of items such as furniture or flowers, particularly for buyers whose trucks usually are driven under 20,000 miles a year. It will be introduced in California in November and will be available elsewhere in mid-1993.

Jeep. The four-wheel-drive 1993 Jeep Grand Cherokee entered the sport-utility market in the spring. It has unibody construction, in which frame wells are welded to the body, rather than the body-on-frame design of many of its competitors.

The new entry is conceived as being more like a car than other compact sport-utility vehicles, which often are based on a pickup chassis. The Jeep Grand Cherokee is equipped with a 4.0-liter, 190-horsepower in-line six-cylinder engine, driver-side air bag, and standard four-wheel anti-lock brakes.

This fall, Jeep added a high-line Grand Wagoneer model, with a 5.2-liter, 220-horsepower V-8 engine, plus all-wheel drive and towing capacity of 6,500 pounds.

Lincoln-Mercury. The company's first minivan is an upscale, front-wheel-drive Mercury Villager that rides and handles smoothly, with a nicely performing 3.0-liter V-6 engine and four-speed automatic overdrive transaxle. Its towing capacity is 3,500 pounds.

Seven-passenger seating includes second- and third-row seats that recline or fold flat. For cargo room, the second seat can be removed and the third-row seat can be slid forward on tracks.

Mitsubishi. An all-new, four-wheel-drive Montero sport-utility truck was introduced by Mitsubishi Motor Sales of America early this year. It provides a shift-on-the-fly feature for changing from two-wheel drive to four-wheel drive. It boasts the first anti-lock braking system that operates in all two- and four-wheel-drive mode selections.

NISSAN 4 X 4

DODGE B-250 VAN

FORD F-700

CHEVROLET TILTMASTER

VOLKSWAGEN EUROVAN G/L

Nissan. The 1993 Quest minivan is the result of a five-year collaboration between Nissan and Ford Motor Co. Ford's nearly identical version is the Mercury Villager, described above.

From Nissan Motor Manufacturing Corp., in Smyrna, Tenn., comes the 1993 truck line with redesigned front-end styling accented by an all-new grille and front body-color lower apron. The compact truck line includes Regular Cab, Long Bed, and King Cab models.

Suzuki. The four-door Sidekick sport-utility line adds a two-wheel-drive model to its four-wheel-drive versions. Suzuki says the four-door Sidekicks, with a manufacturer's suggested retail price of $11,899, are the lowest-priced four-door sport-utility vehicles on the market.

Toyota. A widely known "secret" in light trucks is the advent soon of a new midsize pickup truck from Toyota. As of publication time, Toyota was not confirming press accounts that the company was about to enter this pickup market, which has been the exclusive property of domestic manufacturers. The trade publication *Automotive News* reported that the new Toyota T100 is smaller than the full-sized pickups but larger than the midsize Dodge Dakota.

Volkswagen. A new seven-passenger Eurovan with front-wheel drive has arrived from Volkswagen, the company that invented the passenger van. The midsize Eurovan has more power than its predecessors, with a 2.5-liter, five-cylinder engine mated to a five-speed manual or four-speed automatic. Total cargo volume is 201 cubic feet.

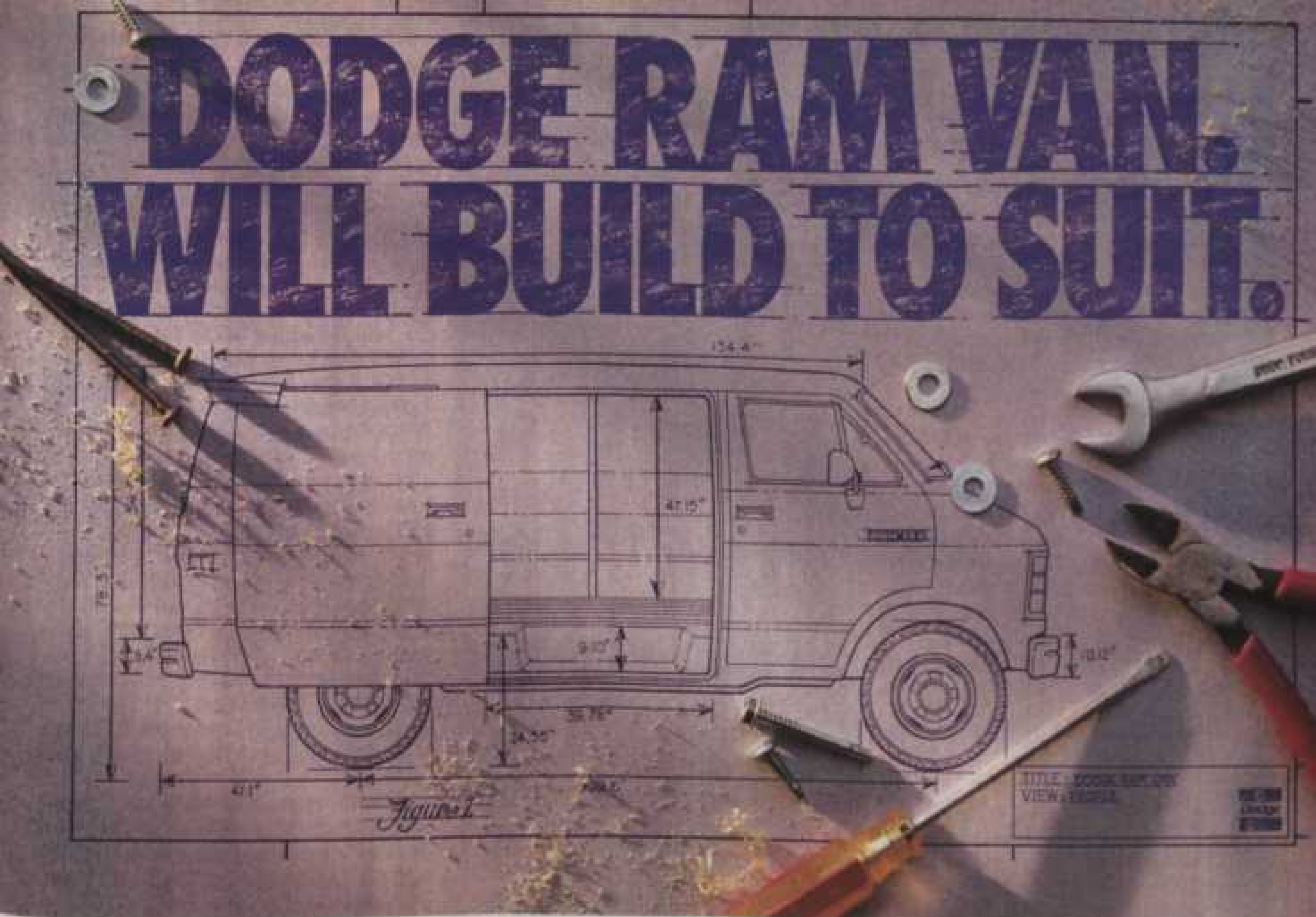
Medium And Heavy-Duty Trucks

New trucks and features in Class 4 (14,001 to 16,000 pounds GVW), Class 5 (to 19,500 pounds), Class 6 (to 26,000 pounds), Class 7 (to 33,000 pounds), and Class 8 (33,001 pounds and up) include the following:

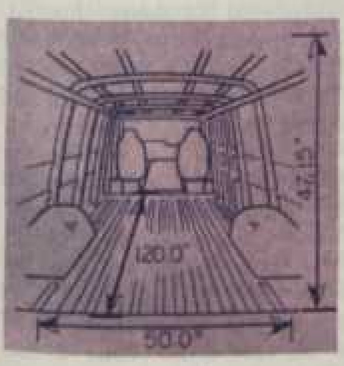
Chevrolet. For entries from Chevrolet, see the section below on GMC.

Ford. "The ultimate in classy Class 8 long-hauls" is what the Ford Motor Co. calls its new limited-edition cross-country Aeromax 120 Hard Runner. Its standard features include a premium sound system; cloth and leather seats with adjustable driver lumbar support; and a tilt/telescoping steering column.

Ford is offering a revolutionary new anti-lock braking system (ABS) that operates effectively off the axle, rather than off each wheel. It saves about $1,100 over a full, more complex system, according to Jeff Kahn, manager of Ford's heavy-truck marketing programs. The ABS, devel-



We build Dodge Ram Vans to suit businesses big and small. With a variety of wheelbases and cargo capacities, at a price that'll keep your business out of the red and in the black. And in every one of these hard-working trucks, you'll find certain built-in advantages. Like our Magnum V-6 with 180 horsepower. Or the Magnum V-8 with 235 horsepower. You also get the Owner's Choice Protection Plan – a warranty choice no other manufacturer offers.†



Plus, now we're building in one more advantage. In *addition* to the $1,000 cash back incentive already offered on Dodge Ram Vans, you can get up to $1,500 worth of shelving, racks, storage bins and floor mats at no extra charge. Or choose an additional $1,000 cash back.

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†See limited warranties, restrictions & details at dealer. Excludes conversion alterations, normal maintenance, adjustments & wear items.

Dodge

oped jointly with Bendix Automotive, a subsidiary of Allied Signal Automotive, of Southfield, Mich., is offered on Ford's L-Series tractors for 1993.

Two new Ford diesel engines for medium-duty Class 6 and Class 7 trucks became available for 1993 models. The turbocharged FD-1060 and FD-1460 are built by Cummins to Ford's specifications. They are in-line, six-cylinder, midrange engines, and they are lighter, more efficient, and more reliable than their predecessors.

Freightliner. A 50th-anniversary celebration was marked this year by introduction of a new model of the Freightliner SL 120 conventional. It is the 70-inch Raised Roof Sleeper Cab with a double bunk for long-haul team driving, a dark-tinted skylight, and two sliding screened windows in the sleeper. The cab's ceiling is 79 inches high, the dressing area's, 94.

The new 58-inch sleeper cab is available on the FLD 112 Class 8 conventional and can also be specified with the FLD 120 Long conventional for both long-haul and regional distribution.

GMC. For 1993, the Caterpillar 3116 engine will be offered on GMC's TopKick and Chevrolet's Kodiak. The engine has 200- and 275-horsepower ratings.

An addition made jointly with Chevrolet is the new C6 LoPro (low-profile) model, for easier hand-loading of the GMC TopKick and Chevrolet Kodiak. The truck's GVWR is up to 25,000 pounds, and its uses include pickup and delivery, towing/car carrier, ambulance, lawn care, and utility service for easier hand-loading.

For its rugged Class 4 Sierra 3500 HD Chassis Cab for 1993, GMC added a 6.5-liter turbodiesel and a heavy-duty, five-speed manual transmission. Now it is also available with a four-speed automatic transmission with overdrive.

Hino. A new medium-duty truck with a 245-inch wheelbase, longer than any of its import competitors, has been introduced for 1993 by Hino Diesel Trucks. The new truck, with a maneuverable cab-over-engine configuration, will allow utilization of 26-foot and 28-foot bodies. It is intended for transporters of bulky cargo.

In response to growing demand for vehicles with the lowest possible loading height and maximum cubic feet of cargo space in the 22,300-pound GVW range, Hino is introducing a low-profile version of its FD Series chassis.

Kenworth. The new T400B and T450B replace the T400A and T450 models for improved productivity, load distribution, and better turning. The new vehicles are 112 inches bumper-to-back-of-cab (BBC). Sleepers are available on the new trucks.

Innovations on Kenworth's new T600B Class 8 truck include a cab/sleeper air suspension for a softer ride and a noise-suppression package for the cab. The noise-reduction package is available on all Kenworth conventionals.

Kenworth also is adding a new Mid-Ranger to its line, to be called the K300. It is a low-cab-forward model ideal for in-city pickup and delivery needs. Kenworth, under the parent company, Paccar, also will be adding a medium-duty conventional truck in the future.

JEEP GRAND CHEROKEE

NAVISTAR 9200

MERCURY VILLAGER

GMC SIERRA

FORD AEROMAX 120

Mack. The Bulldog introduced its new CL series of Class 8 conventional tractors for long-distance hauling with on- and off-highway capabilities. The new CLs have a long nose to incorporate high horsepower, provided by the standard Mack E7-350 engine with 350 horsepower. Vendor-supplied engines are available. Buyers can also choose Mack's E9 series engine. It rates up to 500 horsepower and is the most powerful engine in the industry.

Mack also brought out its new Manager Series of redesigned Class 6 and Class 7 Mid-Liner trucks. They feature a new grille and rectangular headlights.

A third new entry from Mack is its Aeroplus aerodynamics package, custom-designed for its Class 7 and Class 8 Ch600 and CL series vehicles. When combined with roof fairings and side shields, the package reduces the fuel-robbing drag coefficient by 28 percent.

Navistar. A new 9200 Class 8, a conventional tractor, joins Navistar's 9000 heavy-duty premium series. Its aerodynamically styled and shorter cab measures 112 inches BBC. It has a setback axle for a tighter turning radius and a choice of 10-liter diesel engines.

For the image-conscious owner, Navistar has introduced its second limited-edition "supertruck," the "Midnight Eagle." It has custom paint, a special interior, polished-aluminum wheels and fuel tanks, and other prestige extras.

Peterbilt. This fall Peterbilt has a new Class 7 Mid-Ranger 200 Series, assembled in Paccar's factory in Ste. Thérèse, Quebec. The Peterbilt 200-30 is rated at 30,000 pounds GVW, and the 200-33, at 33,000 pounds. Some specification provisions can be chosen for Class 6 use. Peterbilt is emphasizing its sturdy integration of the best American components.

Volvo GM. A new anti-lock braking system is now available as an option on all on-highway WHITEGMC tractors manufactured by Volvo GM Heavy Truck Corp.

Volvo also introduced a special-order sleeper-cab option that expands the regional service versatility of its Class 7 Volvo FE42 series tractor and truck models. NB

HURRICANE RECOVERY

Business Pitches In After Andrew

Chambers of commerce and companies throughout the nation are helping south Florida recover.

By Joan C. Szabo

When the extent of Hurricane Andrew's devastation in southeastern Florida became clear, the Florida Chamber of Commerce launched an emergency campaign to help hard-hit chambers resume operations and participate in recovery efforts.

"The faster that chambers can recover, the faster they can assist their own members," Florida Chamber President Frank M. Ryll Jr. said in the appeal to local chambers throughout the country.

The first donations received by the state chamber were used to help the headquarters of the Greater Homestead-Florida City chamber replace facilities that had been destroyed. Similarly, the Perrine office of the Greater South Dade/South Miami chamber received assistance from Courtelis Construction, in Fort Lauderdale, at no cost.

The help included super-size trailers for use as offices, where members of the two local chambers are now spearheading relief operations for their respective communities.

Individual businesses also joined in the relief operations. To meet the massive demand for building supplies to restore homes and businesses, Home Depot Inc. quickly set up massive tents in the parking lots of three of its southeastern Dade County stores that had been closed because of severe storm damage.

The Atlanta-based chain of do-it-yourself warehouse stores also adopted an anti-profiteering policy. The three tent stores and 25 other Home Depot outlets in the hurricane area are selling at cost the basic products for restoring walls and roofs and are charging prehurricane prices for other emergency supplies.

"This is not a time to make money on the backs of other people's misfortune," said Chairman and Chief Executive Officer Bernard Marcus.

Joe Hardy, president of the 84 Lumber Co., another building-supply and home-maintenance chain, announced that it is matching all financial donations to the relief effort received at company stores or mailed to its Pittsburgh headquarters in September and October, to a total contribution of $150,000.

Those relief efforts by chambers and individual businesses represent a tiny sampling of the extent to which the business community responded to the appeals for help after Hurricane Andrew,

PHOTOS: ©FRANK ZAGARINO—BLACK STAR

Operations *of Home Depot Inc., at Cutler Ridge, Fla., were moved into a tent (above) after Hurricane Andrew destroyed the company's new store there (right). The Atlanta-based chain's building supplies and do-it-yourself products were in heavy demand after the storm, and under the company's no-profiteering policy, items were sold at cost or prehurricane prices.*

whose peak winds exceeded 200 miles an hour, left more than 200,000 people homeless, ruined or damaged more than 80,000 dwellings, and caused severe damage to more than 5,000 businesses—most of them small firms.

The federal government is providing extensive emergency relief and follow-up service from all the U.S. military services operating in Joint Task Force Andrew, plus units from the Florida National Guard. The military units transported emergency supplies into the area, set up and operated food-distribution networks that included field kitchens, provided medical care, and supplied badly needed potable water. They also constructed tent "cities" for the homeless, controlled traffic that sometimes threatened to overwhelm the assistance efforts, guarded against looters, cleared wreckage and debris, and, principally through the U.S. Army Corps of Engineers, joined in the long-term recovery efforts.

Much of the immediate help came directly from chambers of commerce, businesses, and individuals responding to appeals for help. "We've seen a major

PHOTO: ©FRANK ZAGARINO—BLACK STAR

H. Michael Dye, *center, president of a Miami-based engineering firm, coordinated the company's volunteer campaign to locate and assist employees who suffered in Hurricane Andrew. Assisting him are, from left, Lucy Harrison-Brown, Richard Grubel, Fernando Alsonso, and Carol Erbs.*

outpouring of goods, services, and money from businesses across the state and nation," said Tom Herndon, chief of staff to Florida Gov. Lawton Chiles.

The Daytona Beach Chamber of Commerce, for example, shipped 5,000 Sterno stoves to the hurricane-devastated area. The Naples chamber provided two truckloads of towels, washcloths, bed linens, and paper products. The Orlando chamber supplied baby food, diapers, and other products for infants.

The Delaware State Chamber of Commerce dispatched truckloads of relief supplies that included food, water, commodities, and personal-care items.

Among individual businesses offering aid were the Anheuser-Busch Companies and the Humana Inc. health-care company; each pledged $1 million to the relief campaign. American Express Co. contributed $100,000 and is matching employee contributions of $25 or more. Barnett Banks of Florida contributed up to $500,000 in matching funds. American Telephone & Telegraph Co. contributed $100,000.

BellSouth, the regional Bell operating company serving the Southeast, provided telephones to emergency-services personnel in south Dade County to establish networks while regular phone service was being restored. Coca-Cola Enterprises provided thousands of gallons of water in areas that had lost supplies.

The relief activities of companies also extended to contacting and helping employees who were among the storm victims left homeless, without access to food or water, unable to travel or communicate, and uncertain about their job status.

That was the situation of many employees at the Miami headquarters of Post, Buckley, Schuh & Jerrigan, an engineering firm. In response to an appeal from H. Michael Dyer, president of the company, employees in the Tallahassee office volunteered to go to the storm-damaged areas to locate colleagues who were hurricane victims. About a dozen had lost their homes, and 15 more had suffered in other ways from the storm.

The volunteers assured all of the victims that their jobs were waiting, helped repair homes, provided loans, and, as one volunteer put it, "created a family feeling."

Other firms helped in other ways. A small local company, the Loewenstein Furniture Group, a commercial-seating manufacturer located in Pompano Beach, committed 10 percent of the net amount of each order purchased in the state to the Red Cross disaster relief fund.

Member companies of the Grocery Manufacturers of America, in coordination with the Second Harvest National Food Bank Network, distributed a record amount of food to victims of the hurricane. Donors included Borden, Coca-Cola Foods, DowBrands, Frito-Lay, General Mills, George Hormel, Hershey Foods, H.J. Heinz, and Kellogg.

After roaring through south Florida, the hurricane crossed the Gulf of Mexico and hit the south-central coastal region of Louisiana. The Louisiana Association of Business and Industry and local chambers in communities such as Franklin, Morgan City, Houma, and New Iberia mobilized to provide for the homeless and to help businesses get back into operation. Businesses in all those communities were damaged, and some were destroyed.

Daniel L. Juneau, president of the Louisiana Association of Commerce & Industry, said the damage in that state, while serious in some individual communi-

Documenting An Insurance Claim

Although hurricanes have their strongest impact on areas close to the Atlantic and Gulf of Mexico coasts, businesses in all regions are subject to natural disasters of various kinds. They include floods, earthquakes, tornadoes, electrical storms, and blizzards.

A primary concern for many firms after a natural disaster is obtaining the insurance funds necessary to get a business up and running again.

Here are tips from the Alliance of American Insurers on how to expedite a business-insurance claim:

- Inspect the loss immediately to determine the extent of damage, taking steps to salvage damaged property. Professional salvage firms may be able to assist with this task.
- Prepare a list of the steps required for promptly resuming full-time—or even part-time—operations.
- Contact your insurance agent or broker, so the loss can be reported to the insurance company and an adjuster assigned to the claim.
- Have a copy of the most recent operating statement or income-tax return and sales records available to help calculate the loss. Subject to policy terms and exclusions, business-interruption insurance is specifically written to provide for the owner's income, which the business would have provided had operations not been interrupted.
- Close out the books as of the date of the loss, and maintain a separate, accurate record of the operating expenses that continue during this period. The adjuster will have to verify the expenses as part of the claims process.
- Maintain accurate records of extra expenses incurred to expedite the resumption of operations.
- Keep a written record of all communications received regarding orders to evacuate.
- If business interruption involves the loss of electrical power, document when power went off and when it was restored. Save any written information that was received regarding the power interruption.

ties, "nowhere compares to what happened in south Florida."

A particularly relevant form of help to Florida's storm-hit area came from a local chamber with firsthand knowledge of a killer hurricane's impact on the business life of a community. The Charleston, S.C., Chamber of Commerce mobilized a disaster-resource team of specialists who had played major roles in the recovery effort after Hurricane Hugo struck that city and its surrounding area in 1989.

Within five days after the hurricane hit south Florida, the Charleston team was meeting in Coral Gables with representatives of 15 chambers from that region in search of advice on coping. The delegation was headed by Thomas Blazer, a Charleston real-estate developer who was president of the chamber when the community was recovering from Hugo's impact.

PHOTO: SKEN TOUGHTON

The Loewenstein Furniture Group's *effort to raise storm-relief funds was directed by, from left, Chester Wooten, Craig Watts, and Leonard Backer.*

The visitors emphasized the importance of the chamber role as a major force in mobilizing business to meet the needs of their respective communities and described how the Charleston chamber had risen to that challenge three years ago.

The disaster-resource team also assured the chamber officials whose communities were still reeling from the storm's impact that, despite the bleak picture at the moment, their communities could emerge from the crisis stronger than before.

The visiting group carried that same message to Homestead, which was among Florida's hardest-hit communities. The Charleston group told chamber officials there that they held a very important role in assuring that business recovered and remained a strong and viable force.

Based on its experience in its home city, the advisory group provided expert advice in such areas as dealing with federal agencies and insurers and restoring the area's tourist industry promptly.

South Florida now hopes to do as well as Charleston did in recovering and regaining its economic growth. But the challenge is formidable. Peter Thompson, president of the South Dade/South Miami Chamber, estimated that 90 percent of its members had been affected in ways ranging from temporary interruptions of business "to total devastation."

"We need a mini-Marshall Plan, the devastation has been so complete in some areas," Thompson said. His Perrine office, for example, was left with its four coral-rock walls standing but the roof gone and the interior gutted. "There is nothing in it that is salvageable," the chamber official commented.

Business leaders in the hard-hit Florida communities expect the rebuilding effort to provide $20 billion to $30 billion to the local economy.

One small-business owner, Joe Shaw, president of Shaw's Nursery in South Miami, suffered an estimated $1.5 million in uninsured losses when the hurricane destroyed a large amount of his nursery stock. He vows to rebuild his 52-year-old business in the same location. Shaw, who usually employs 120 people and has annual sales of about $3 million, declares: "I am not moving."

That spirit is pervasive throughout the business community, said Frank Ryll of the Florida state chamber. Entrepreneurs not only are going to rebuild and recover, the chamber official said, but also are "determined to make south Florida better than it ever was."

To Lend A Hand

For information on contractor licensing—required for licensed out-of-state contractors taking part in the rebuilding effort—call the Dade County Building Department; (305) 375-2527.

Companies and individuals wishing to help with the relief efforts may contribute funds to the state's We Will Rebuild Committee, Miami, Fla. 33101. To donate goods or services, call 1-800-354-3571.

For information on how you can help Florida chambers severely affected by the storm, contact Frances Conaway at the Florida Chamber of Commerce; 1-800-940-4879. NB

"I'm no idiot. I can see that 3,000 visitors a day at $10 a head adds up. I can only imagine how much they make from food sales and other stuff like those life-size posters of yours truly. All I ask is that they take good care of all that money that I'm working so hard for."

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POLITICS

The Candidates On The Issues

Issues of critical concern to small business are in the forefront of those being debated with growing intensity by President Bush and Gov. Clinton in the presidential campaign.

The topics include economic policy, education reform, government regulation, health-care coverage, and international trade.

Recommendations that the president taking office next Jan. 20 makes on each of those topics will have a major impact not only on how the nation overcomes its current economic problems but also on entrepreneurship well into the new century.

The following gives readers a comparison of the candidates' positions on major small-business issues from their statements on these subjects and, in some cases, party-platform positions.

PHOTO: [illegible] HALSTEAD—GAMMA LIAISON

President Bush: *"I want to stimulate entrepreneurial capitalism. . . . I want a government that spends less, regulates less, and taxes less."*

Economic Policy

President Bush: I want to stimulate entrepreneurial capitalism. . . . I want a government that spends less, regulates less, and taxes less. I am fighting for open markets for American products, lower government spending, tax relief, opportunities for small business, legal and health reform, job training, and new schools built on competition, ready for the 21st century. We must have new incentives for research and new training for workers. Small businesses need capital, which will be used to create more jobs.

Gov. Clinton: My national economic strategy will invest more than $50 billion each year for the next four years while cutting the deficit in half. These investments will create millions of high-wage jobs and help America compete in the global economy. This policy includes putting people to work by rebuilding our country, converting from a defense to a peacetime economy, revitalizing our cities, encouraging private investment, and opening up world markets.

Deficit Reduction

Clinton: I propose to limit overall increases in consumption programs to increases in personal income so that the federal budget can't go up any faster than the average American's paycheck. In addition, we can reduce the deficit over the next four years by reducing defense spending by $200 billion through 1997, controlling health-care costs, cutting 3 percent a year out of administrative costs of government, and eliminating 100,000 federal jobs.

Bush: I've asked Congress to put a lid on mandatory spending except Social Security. And I've proposed doing away with over 200 programs and 4,000 wasteful projects and to freeze all other spending. I ask the American people to give me a Congress that will give me the line-item veto . . . [and] a balanced-budget amendment to the Constitution.

Taxpayers should be given the right to check a box on their tax returns so that up to 10 percent of their payments can go . . . to reduce the national debt. . . . I will require that for every tax dollar set aside to cover the debt, the ceilings on spending will be cut by an equal amount.

Taxation

Bush: When the new Congress convenes next January, I will propose to further reduce taxes across the board—provided that we pay for these cuts with specific spending reductions that I consider appropriate so that we do not increase the deficit. I will also continue to fight to increase the personal exemption and to create jobs through a cut in capital-gains taxes and indexation of their cost basis. That will especially help small businesses.

A comparison of the presidential contenders' views on matters that concern small business.

PHOTO: ©CYNTHIA JOHNSON—GAMMA LIAISON

Gov. Clinton: *"My national economic strategy will . . . create millions of high-wage jobs and help America compete in the global economy."*

Clinton: A Clinton administration will cut income taxes on the middle class. An average family's tax bill will go down 10 percent, a savings of $350 year. To pay for this tax cut, we'll ask the top 2 percent of income earners to pay slightly more, though still a smaller percentage of their incomes than they paid in the '70s. I will create an investment tax credit and a new enterprise tax cut that reward those who invest in new businesses that create jobs. I will also make the research-and-development tax credit permanent.

Investments In Small Business

Clinton: As president, I will ensure that bank regulators send a clear signal to the financial community not to call in performing loans and to extend loans to local businesses in sound financial shape.

In addition, I will change the tax code to create an enterprise tax credit that grants people who invest in new businesses a 50 percent tax exclusion for profits on investments held for more than five years.

I will also provide targeted investment tax credits to businesses that create jobs with new plants and equipment and an enterprise tax credit for people who invest in new businesses.

Bush: To create jobs and keep small business growing, [we support] increased access to capital for business expansion, exporting, long-term investment, opportunity capital for the disadvantaged, and capital to bring new products and new technology to the market . . . [and] enthusiastically encourage the passage of federal enterprise zones [which] have been effective programs for promoting growth in urban and rural America. (Republican Platform)

Health Care

Bush: I have a plan to provide affordable health care for every American, controlling costs by cutting paperwork and lawsuits, and expanding coverage to the poorest of the poor. [The president's plan would create tax credits to help low- and middle-income Americans obtain health insurance, require insurers to cover preexisting conditions, make health-insurance premiums fully deductible for the self-employed, and allow small businesses to form health-insurance purchasing pools, with guarantees on availability and renewability of insurance.]

Clinton: A Clinton administration will treat affordable, quality health care as a right, not a privilege. Employers and employees will either purchase private insurance or opt to buy into a high-quality public program. My goals also include universal workplace coverage, protection for small businesses, improved preventative and primary care, expanded long-term care, and intensified health education.

The only way to secure national health-insurance coverage for everyone, however, is to bring costs down.

Regulation/Paperwork Relief

Clinton: Health care is one of the areas where we must contain the paper explosion. Under the Clinton plan, the costly billing, coding, and utilization-review functions that currently govern most provider-payments systems would be replaced by a simplified, streamlined billing system. The billions fueling our health-care bureaucracy would be better spent on providing better care for all Americans.

Bush: I believe that small business needs relief from taxation, regulation, and litigation. Thus, I will extend for one year the freeze on paperwork and unnecessary federal regulation that I imposed last winter. I will issue an order to get rid of

any rule whose time has come and gone. I am fighting to reform our legal system, to put an end to crazy lawsuits.

International Trade

Bush: We are waging the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations to win worldwide reductions in tariffs, elimination of subsidies, and protection of American intellectual-property rights. The free-trade agenda for the next four years starts with the signing of a North American Free Trade Agreement. We will continue to fill the Pacific Rim with American exports . . . and will complete our efforts . . . to reduce barriers to American goods and services. And we will continue to negotiate the Enterprise for the Americas Initiative as a first step in creating a hemispheric free-trade zone. (Republican Platform)

Clinton: We must do everything possible to open up markets now closed to American products. My administration will provide the leadership for Japan and the European countries to join us in coordinating our macroeconomic policies and in reaching multilateral trade negotiations. But we will also provide the muscle to open Japan's market to competitive U.S. products, using a stronger and more carefully targeted Super 301 approach. We favor a free and open trading system, but if our competitors won't play by those rules, we'll play by theirs.

Energy Policy

Clinton: We need a new National Energy Policy that lets Americans control America's energy future. A Clinton administration's policy will promote national security, energy diversity, economic prosperity, and environmental protection. My administration will encourage conversion to natural gas, which would cut oil imports by at least 1.75 million barrels a day. . . . We can also break our dependence on foreign oil by promoting energy efficiency and conservation.

Bush: We will allow access [for oil exploration], under environmental safeguards, to the coastal plain of the Arctic National Wildlife Refuge and to selected areas of the outer continental shelf (OCS). We support incentives to encourage domestic investment in oil and gas exploration and development, complete decontrol of wellhead prices for clean natural gas, clean-coal technologies, . . . and we will hasten development of the next generation of nuclear power plants, one of the cleanest, safest energy sources. (Republican Platform)

Education Policy

Bush: The nation's governors and myself joined in approving America 2000, which establishes six national education goals: that all children should arrive at school ready to learn; that high-school graduation rates should be at least 90 percent; that all children learn challenging subject matter and become responsible citizens; that American children should be first in the world in math and science; that there must be a literate and skilled work force; and that schools must be disciplined and free of drugs and violence. . . .

In addition, every parent and child should have real choice of schools, public, private, or religious.

Clinton: My administration will fully fund Head Start, increase funding for Chapter 1, and provide seed money for innovative education projects. However, we will also raise standards by establishing a national testing system in elementary and secondary schools and instituting report cards for every state, school district, and school in the nation to measure their progress. We will also create, as I did in Arkansas, a nationwide apprenticeship program for those young people who choose not to go to college and a national trust fund for college loans for those who do. These loans will be repaid either as a small percentage of income over time or with a couple of years of national service.

We must also promote lifetime learning for every American, investing in our people at every stage, including worker-retraining programs.

Family/Medical Leave

Clinton: I don't believe that parents should have to choose between the jobs they need and the families they love. I will sign into law The Family and Medical Leave Act, which will give American workers the right to take 12 weeks of unpaid leave in order to care for a newborn child or sick family member—a right enjoyed by workers in every other advanced industrial nation.

Bush: We support pro-family policies: job-sharing, telecommuting, compressed work weeks, parental leave negotiated between employer and employees, and flextime. We reject the Democrats' one-size-fits-all approach that puts mandates on employers and takes choices away from employees. (Republican Platform) NB

Benefits Update

Cost comparisons for health coverage; new rules on IRA rollovers; job-loss estimates for play-or-pay.

By Roger Thompson

HEALTH INSURANCE

Managed Care Can Cost More

Managed-care health plans can produce major savings for employers, but some actually cost more than traditional plans, concludes a recent nationwide survey.

The survey of 2,409 employers, conducted by A. Foster Higgins & Co., a New York-based benefits consulting firm, found that employers last year spent an average of $3,573 per employee for traditional indemnity, or fee-for-service, health plans. In contrast, the per-employee average cost for health maintenance organizations (HMOs) was $3,046, or 14.7 percent less. And the average cost for preferred provider organizations (PPOs) was $3,355 per employee, or 7.9 percent lower than traditional plans. The averages combine the cost of both individual and family health plans.

"For many employers, managed-care plans offer the best chance to control costs over time," says John Erb, one of the study's authors. "However, the survey underscores that all managed-care programs are not alike, and not all programs save employers money."

In Los Angeles and San Francisco, benefit-rich PPOs actually cost far more than traditional plans. (See the chart above.) Among 12 cities highlighted by the survey, PPOs also cost more than traditional plans in Cleveland, Houston, Minneapolis/St. Paul, Richmond, and Seattle. But PPOs in Chicago, Dallas/Fort Worth, and Philadelphia had significantly lower costs than traditional plans.

The survey also found that HMOs now cover only 23 percent of employees, and PPOs cover only 17 percent.

"Considering that managed care has been strongly promoted for 10 years, these numbers are low," says Erb. "It partly reflects the mixed cost management results employers have experienced, and the fact that it takes time to move employees into a managed-care environment."

Average Health-Care Costs Per Employee In 1991

	Indemnity Plan	HMO	PPO
Atlanta	$3,425	$3,259	$3,159
Chicago	3,746	3,133	2,800
Cleveland	3,408	3,465	4,171
Dallas/Fort Worth	3,538	2,963	2,946
Houston	3,180	3,295	3,606
Los Angeles	3,964	3,025	4,335
Minneapolis/St. Paul	3,003	2,673	3,108
New York Metro	4,336	3,254	4,316
Philadelphia	3,528	2,882	2,715
Richmond	3,227	2,448	3,418
San Francisco	3,527	2,939	4,617
Seattle	2,659	2,624	3,148

Source: A. Foster Higgins & Co.

CHARTS: DEBORAH J. HUMPHRIES

PENSION LAW

Less Temptation To Spend Rollovers

A new law significantly changes the way employers handle 401(k) pension-plan distributions when workers change jobs.

Under the old law, a worker who contributed to a 401(k) or other type of pension savings plan got a lump-sum check upon leaving the company. Workers younger than 59½ had 60 days to roll the money over into an IRA to avoid paying income taxes and a 10 percent penalty tax.

The new law, which was signed in July and takes effect on Jan. 1, requires employers to do more than simply hand out pension distribution checks.

- Workers may ask their former employer to transfer the full amount of the pension savings account directly to an IRA or to the new employer's 401(k) plan.
- Employers must withhold 20 percent of the pension account for taxes when a worker opts to spend the money rather than roll it over into a new pension plan.
- An employee who wants to keep some of the money and transfer the balance to a new pension plan can do so.

Congress made these changes in part to plug a big leak in the pension system. Each year, employers turn over about $12 billion in pension savings to workers changing jobs. The Labor Department estimates that only 13 percent of this money finds its way into new retirement plans. Most is spent. Congress changed the rollover rules to remove much of the temptation to use the money.

The withholding feature also will bring in an extra $2.1 billion next year, which Congress intends to use for emergency unemployment benefits.

HEALTH-CARE REFORM

States Go For Bold Changes

Florida, Minnesota, and Vermont have enacted sweeping health-care reforms designed to broaden or guarantee universal coverage and contain costs.

"While we would prefer a national solution to our health-care cost and access problems, the states can no longer simply wait for the federal government to act," Florida Gov. Lawton Chiles told a Senate health-care subcommittee in mid-June.

Florida's Health Care Reform Act, enacted in March, calls for affordable health care for all, but it left a lot of details to be worked out later. It creates a new state Agency for Health Care Administration to develop recommendations on access and cost control.

Rather than mandate health coverage,

the act promotes voluntary coverage by all employers and cost containment through voluntary price controls, volume discounting, and managed care. If the voluntary approach fails to achieve targeted goals by the end of 1994, Chiles has said, the state may eventually impose a play-or-pay mandate on employers or a Canadian-style single-payer system.

The act also contains various small-group insurance-market reform provisions.

Minnesota's HealthRight law, enacted in April, will offer subsidized health care to roughly half of the state's 400,000 uninsured "working poor." Funds to subsidize care for the uninsured will come from a new 2 percent surtax on hospitals' and physicians' income, and a 1 percent premium tax to be paid by Blue Cross and Blue Shield and HMOs. Commercial insurers already pay a 2 percent premium tax. Additional funds will come from a 5-cent increase in the state cigarette tax.

HealthRight also permits employers to purchase coverage from a new state pool and requires insurers to guarantee issue and renewal of health plans to small employers.

Vermont's health-care law, enacted in May, creates a state agency assigned to devise a universal health plan for implementation in late 1994. The Health Care Authority will present two different plans for the legislature to choose from next year. One must be based on a Canadian-style, single-payer model, and the other must be a multipayer model.

The authority also has power to adopt an annual health-care budget for the state and to bargain on behalf of state employees for purchase of health benefits. ■

MANDATED HEALTH INSURANCE

Estimated First-Year Job Losses From Play-Or-Pay Mandate

Source: Joint Economic Committee/Republican Staff Calculations

Job Losses From Play-Or-Pay Option

Small companies that don't provide health insurance would be forced to cut more than 300,000 jobs if Congress required these firms to provide health coverage or pay a payroll tax to support a government program to do so. These projected job losses from a so-called play-or-pay mandate were the subject of a recent study prepared by the Republican staff of the congressional Joint Economic Committee.

A play-or-pay mandate would require all businesses to purchase a basic health package for workers and dependents or pay for a government-operated health plan through a payroll tax. The study says a play-or-pay mandate with a 7 percent payroll tax would cause employers to lay off more than 710,000 workers—43 percent of them in firms with fewer than 20 employees.

Sen. Paul S. Sarbanes, D-Md., chairman of the Joint Economic Committee, called the job-loss study "a document with a political, not an analytical purpose, designed to scare rather than inform." ■

HEALTH-CARE REGULATION

States Seek Exemptions

A delegation of 14 governors went to the White House in late June to seek Bush administration support for exemptions to federal laws that limit state flexibility in implementing major health-care reforms.

Medicaid laws limit the states' ability to experiment with ways to broaden coverage for the poor and set state spending priorities.

The Employee Retirement Income Security Act of 1974, which established federal standards for employee-benefit plans, bars states from regulating self-insured health plans. An estimated 56 percent of all employees are covered by such plans.

The governors maintain that they cannot proceed with plans to provide universal access and cost containment when ERISA puts self-insured employers beyond the reach of state regulation.

Mark J. Ugoretz, president of the ERISA Industry Committee, a Washington, D.C.-based association of large employers, maintains that the driving force behind ERISA exemptions is not good health policy but an effort to tax self-insured employers to subsidize health reforms.

While the administration reacted coolly to the delegation of governors, Rep. Ron Wyden, D-Ore., and Sens. David Pryor, D-Ark., and Patrick J. Leahy, D-Vt., are drafting legislation to give up to 10 states exemptions from ERISA and Medicaid laws to proceed with comprehensive health reforms. ■

PENSIONS

Regulations Kill Small-Business Plans

Small employers are dumping traditional defined-benefit pension plans in record numbers, primarily because tax-law changes enacted by Congress in 1986 produced rules that are too complicated and expensive for most small employers.

More than 30,000 employers have terminated their defined-benefit pension plans since January 1990, and 39 percent have not provided replacement plans, according to a survey of actuaries by the American Academy of Actuaries.

Defined-benefit plans guarantee retirees a specific income based on salary and length of employment.

Companies with fewer than 100 workers represented the majority of those terminating their defined-benefit plans. "Small employers, with fewer resources to comply with complex administrative rules, cited government regulations as the primary reason for termination by a nearly three-to-one ratio over large employers," said the survey report. ■

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TECHNOLOGY

New Directions In Retailing

By Ripley Hotch

Deaver Brown, president of Pride Retail Systems Inc., in Newton, Mass., says: "Retail automation is a cultural phenomenon. Business people are kicking and screaming because they don't like to change the way they work."

But making that change can save time and money, says Brown, and he should know. He has owned more than one small company himself and considers Pride a small business, though it supplies computerized point-of-sale systems to more than 1,000 hard-goods retailers ranging in size from single stores to large chains.

Retail automation is not just a cultural change, however; it is necessary for survival. Again and again, retailers and the suppliers of the goods they sell emphasize that the competitive climate of the '90s requires new methods of doing business, and all those methods—from "quick response" to cost reduction to Total Quality Management—require the latest in technology.

Smaller retailers have been the slowest to adopt automation. Among restaurants, says Bill Fuller, vice president of Gregg's Restaurants, a chain of three stores in Rhode Island, there was a long period without significant competition. Now, however, costs have to be kept down and customers have to be served what they want if restaurateurs are to keep up with the increasing competition. "The entire industry is changing," Fuller says. "People who resisted technology are now embracing it."

But what technologies? Not all are appropriate for every retailer or for every size of retailer. Some are well-proven, and others are so far out on the leading edge that they may not be practical for years.

The important thing, says Brown, is to know what you want the technology to do.

Both Brown and Fuller say the first step is an automated point-of-sale system linked to inventory and accounting. By using scanners with bar codes, or touch-screen entry, you can assure that items are entered accurately, credit cards and checks are approved, and that you have data that can be analyzed—quickly—to find out who is buying what.

"Those who don't get analytical are going out of business," says Brown, and the only way to get that timely analysis is through automation of inventory.

There's evidence that small retailers are rapidly becoming aware of these advantages.

William Blumberg, principal of the trade retail group of the Deloitte & Touche accounting firm, says, "Small retailers are recognizing the significant benefits to be gained from investments in technology." Deloitte & Touche found in an annual survey for the National Retail Federation that small retailers are committing themselves to bar coding and scanning technology in a point-of-sale system. Those who said they were using or planning to use these technologies rose to 75 percent in 1991 from 52 percent in a similar 1990 survey.

PHOTO: ©JOHN ALEXANDERS—BLACK STAR

A touch screen, *demonstrated by cashier Terry Fallon, enables Gregg's Restaurants, in Rhode Island, to give customers better service, says Bill Fuller, vice president.*

The cost of point-of-sale (POS) systems is dropping for retailers as it is for everyone using computers. Even a major software package suitable for most small retailers costs only $1,000 to $5,000 per register, a cost that can be recovered quickly in savings on errors and shrinkage (the various ways that stock disappears, such as employee theft, damage, spoilage, etc.).

Surveys by Automatic Identification Manufacturers, Inc. (AIM USA), the bar-coding industry's trade association, show that it takes an average of six to 12 months to recoup the investment in both the hardware and the software package. Far less expensive PC-based POS systems are widely available from many of the writers of accounting software.

Richard Bushnell, administrator of the Industry Bar Code Alliance, a trade association of the largest suppliers, says most registers can already support bar coding and scanning, because "a lot of electronic cash registers can be upgraded to accommodate the scanning equipment. Such registers have the computing power of a PC."

But retailers need to understand that scanning for prices is only one part of the value of bar codes, Bushnell says. The software will give a report at the end of the day that will tell the owner the inventory level. You can get more-sophisticated software that will alert you when your inventory is below the minimum stocking level. "Bar coding is not really for pricing as much as it is for keeping track of your inventory," Bushnell says.

"A big advantage of going to bar coding is saving errors, which usually occur at a rate of one per 300 transactions in manual entry," says Chris Curtis, director of the School of Technology and Information Management Labs at Washington University in St. Louis.

Bar coding and scanners together make up only one way to enter material into an order/entry/inventory system. There are also touch screens and hand-held wide-band radio frequency terminals. Both of these systems

Business survival in the competitive '90s requires the latest in retail automation.

became available to businesses last year and are finding their earliest uses in restaurants.

Gregg's Restaurants created its own system and now sells it under the name Positouch through a different corporation. It uses off-the-shelf PC hardware and a Microtouch Corp. screen that is touch-sensitive. The serving staff enters orders by pressing choices on the screen, and the orders go directly to the kitchen or bar and to the cash register.

"We chose a touch screen because of high traffic and an extensive menu that we'll customize as the customer wishes," says Bill Fuller. "We can give better customer service because all the [serving] staff is doing is pointing at the screen." It only takes about half an hour to train a new server, according to Fuller.

The radio terminal takes the process a step further; instead of locating the order-entry terminal at one station, each server carries a small terminal. Granite Communications Inc., of Amherst, N.H., markets a machine it calls the Videopad. The terminal is in constant communication with the kitchen and the cash register; changes are simple, and, says Pierre Dogan, the company's president, it certainly improves accuracy and decreases shrinkage from employee dishonesty or carelessness.

Just as with Fuller's Positouch, the machine allows better, faster customer service and greater accuracy.

Back-office and cash-register automation are only two technologies available to retailers, however. There are also advantages in marketing offered by multimedia kiosks.

The kiosk is a natural extension of the touch screen used by clerks, says Linda D'Angelo, manager of IBM's multimedia consumer segment. "Most people have a natural impulse to point and touch the screen." Of the kiosks in use, she says, about two-thirds have been installed in retail establishments, "but only about 20 percent have been paid for by retailers; the rest have been paid for by manufacturers or by ad agencies selling time on them."

The shape of these kiosks is best illustrated by R. Stevens Express, a Charlotte, N.C., photo developer. R. Stevens has no clerks at all in the field, simply the brightly colored kiosk, with a

touch screen. "We've married the free-standing kiosk you see in shopping-center parking lots with the automated bank teller machine," says Steve Bostic, chairman of R. Stevens.

The kiosks solve several problems, says Bostic: consistency (a clerk can't always be counted on to ask a customer if he or she wants something else), convenience (a machine is always there and is never tired), and availability of quality labor.

"It's important to give the customer choices," says Bostic. "But that's difficult because shelf space is limited, and it's extremely difficult to find clerks able to sell a large variety of items." With the screen, however, R. Stevens can show a customer many selections when that customer wants to see them and couple sound with the screen. In fact, the company has created "Debbie the photo counselor," a character who appears on screen to explain choices.

The small retailer can take great advantage of this technology, says Bostic, by turning over some floor space to a kiosk of some kind.

The kiosk would be paid for by the supplier, who might even pay the retailer for the rental of the space—under an arrangement similar to that for a vending machine. (Vending machines themselves are starting to sport computer chips that give them more capabilities.)

"We clearly see ourselves as a merchandiser with new services," says Bostic. "We want to take advantage of a small retailer's location and bring that expertise to her.

"Multimedia merchandising makes a lot of sense to a consumer, so she'll go there, and we can make use of the in-store traffic of the small retailer."

Bar coding cuts errors, *says Chris Curtis, right, of Washington University, in St. Louis, shown with Doug Watson, vice president of Watson Label Products, St. Louis.*

A combined *kiosk and ATM gives customers choices, says Steve Bostic, chairman of R. Stevens Express, a photo developer in Charlotte, N.C.*

Large retailers are being pressed by technology to do business in new ways, and those ways are going to be available to smaller retailers who take advantage of the same technologies.

One new direction is the increase in "partnering" between retailers and manufacturers or wholesalers. Large retailers are using "quick response"—designing, producing, and getting to the shelf the items the consumer wants on a far shorter cycle than ever conceived in the past. They do it by letting the store's and the wholesaler's computers talk to one another directly through electronic mail.

"Partnering is the survival strategy of the '90s and beyond," says Robert Antall, vice president of information systems at Phillips-Van Heusen, the large clothing retailer, in Piscataway, N.J.

But partnering need not be restricted to large retailers. "The secret is good traffic," says R. Stevens' Bostic. The small retailer has to have something to offer the company that designs the kiosks.

Mannington Mills, the large flooring manufacturer headquartered in Salem, N.J., has started to put kiosks in smaller retail flooring concerns, offering customers the chance to see rooms similar to their own with various flooring combinations.

The manufacturer works a cooperative arrangement with retailers, says Frank Potter, Mannington's manager of retail merchandising. The dealer's portion of the cost for the kiosk—called Premiere—and the entire Mannington Mills display is about $12,500; Mannington matches the dealer's cost. The kiosk is manufactured by IBM; the programming was done by Frontier Media Group, in Malvern Pa.

"We've installed hundreds of these," says Potter, "and the dealer approval is upwards of 98 percent," although the company doesn't yet have any hard figures to indicate increases in sales.

Mannington requires that a retail store must have done $50,000 in Mannington business the previous year before it can add the Premiere system.

The system depends on the touch screen, which makes a big difference to the customer, Potter says. It includes not only a view of rooms but also yardage, price, and product information on the various lines. An additional component of the system is training for sales staff.

Although Kmart Corp. and other huge chains are using kiosks for in-store information on various products, the manufacturers of the brands, like Mannington Mills, are helping to pay for the software as a form of advertising.

"The price is still high, because the development costs aren't amortized yet," says Mike Braun, assistant general manager of IBM's multimedia operations. "Probably the best way will be for small retailers to work with associations—either national ones or, say, a forward-looking local chamber—to create a group buy, selling space for distributors and vendors on kiosks that could appear in the whole group's stores. If they were to start now, they could afford it, and it would give them a jump even on the big guys." ■

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POLL RESULTS

Readers' Views On Workers' Comp

The rising costs of workers' comp plague most respondents, who overwhelmingly favor reform efforts.

PHOTO: ©JIM PICKERELL—FOLIO, INC.

Most employers *favor mediation of workers' comp disputes.*

Small-business owners are plagued by rising workers' compensation costs and don't expect any relief from state reform efforts, according to a *Nation's Business* readers' poll.

Readers expressed their views on workers' comp in response to questions posed in Where I Stand, a monthly feature that seeks readers' opinions on major public-policy issues. Eighty-two percent of the responses came from companies with fewer than 100 workers. Results of the poll are sent to top officials in the White House and Congress.

Nine out of 10 readers said that workers' comp costs are a growing problem. Premiums that employers pay to maintain this mandatory insurance coverage reflect rapidly escalating costs for medical care and disability payments.

Between 1980 and 1990, the average medical cost for an injury causing an employee to miss work rose from $1,748 to $6,611. That amounts to an average yearly increase of 14 percent.

Disability-income costs also have risen sharply, from $4,390 in 1980 to $12,833 in 1990 for the average case involving time missed from work. That amounts to an 11 percent annual increase.

Since the mid-1980s, costs have been driven up mainly by litigation and new types of compensable injuries.

Injured workers routinely retain lawyers to handle their cases even though the system was designed to be no-fault. Cumulative trauma injuries, such as carpal tunnel syndrome, which involves painful nerve damage in the wrist, make up the fastest growing type of medical claim. In addition, six states now recognize stress as grounds for a workers' comp claim.

With rising litigation and a broadening definition of compensable injuries, it's not surprising that three-quarters of the respondents said that employee fraud and malingering are significant factors driving up costs.

Because workers' comp is administered by the states, problems and solutions may differ from state to state.

When asked whether their state had enacted reform measures in the past two years, 37 percent of poll respondents said yes. But only 5 percent of the respondents said that they expect any significant cost savings from recent reform efforts.

Yet state reforms do work to cut costs. Since 1990, Oregon has gone from a workers' comp basket case to a model of reform. Among other things, Oregon's reforms require injured workers to seek care from managed-care medical networks, and they mandate mediation of disputed claims. The reforms have led to two consecutive years of double-digit premium decreases totaling 21 percent.

Nation's Business readers are overwhelmingly in favor of these two reform measures. Eighty-eight percent said they think that employers should be able to direct injured workers to a managed-care network of doctors and hospitals for care at discounted fees. And 89 percent favor requiring that disputed claims be referred to mediation rather than land in the courts. NB

WORKERS' COMPENSATION

Are workers' compensation costs a growing problem for your firm?

Yes: **91%** *No:* **9%**

Has your state enacted workers' compensation reforms in the past two years?

Yes: **37%** *No:* **38%** *Don't know:* **25%**

If your state has enacted reforms, do you expect them to lower your workers' compensation costs significantly?

Yes: **5%** *No:* **51%** *Don't know:* **20%** *Not applicable:* **24%**

Are fraud and malingering driving up your workers' comp costs?

Yes: **78%** *No:* **12%** *Don't know:* **10%**

Should employers have the right to direct injured workers to managed-care networks for medical treatment?

Yes: **88%** *No:* **5%** *No opinion:* **7%**

Should state workers' compensation laws require that disputed claims be submitted to mediation rather than to courts?

Yes: **89%** *No:* **3%** *No opinion:* **8%**

Collecting The Collectors

For 40 years, Chet Krause has published must reading for fans of coins, cars, comic books, and baseball cards.

By Michael Barrier

In October 1952, Chester L. Krause, a 28-year-old carpenter in rural Wisconsin, put together the first issue of a publication called *Numismatic News*. The local weekly newspaper printed it for him, he recalls, "and the printing was horrible." The one-page, tabloid-size paper consisted mostly of exhortations to advertise and subscribe, and it went to only 600 people who were, like Krause himself, coin collectors.

A copy of that first issue holds a place of honor in a display case in the 68,000-square-foot building in Iola, Wis., that houses what has become Krause Publications, a company that has 332 full-time employees and expects sales this year to exceed $50 million.

Chet Krause has built his one-page paper into a classic niche-market success story, becoming the publisher of dozens of collector-oriented magazines, newspapers, and catalogs. (Among those publications: *Numismatic News*, now a weekly newspaper.) In the vast and amorphous field of publications for collectors, Krause has staked out strong and often dominant positions in almost every hobby with a significant following.

He publishes more than two dozen periodicals. "We put out something like 550 issues a year," he says. "There are 250 working days in a year, so we're doing over two issues a day. We're doing about 250 pages of type a day."

Krause Publications has put several million dollars into computerizing its operations, but the staff is remarkably lean, even so, considering its output. For each issue, typically, a periodical's very small editorial crew produces hundreds of column inches of type, which wrap around dozens of advertisements for "collectibles." "We figure it by the word," says Don Thompson, who with his wife, Maggie, does most of the writing and editing for the weekly *Comics Buyer's Guide*, "and we do around 3 million a year."

Like *Comics Buyer's Guide*, a 25,000-circulation tabloid read faithfully by comic-book collectors, most Krause publications go to collectors of things besides coins.

"We stayed in coins exclusively for the first 15 years," Krause recalls, "and then branched out into automobiles." In the 1980s, Krause Publications expanded into other collecting specialties, starting or buying periodicals devoted to comic books, records, toys, guns, and baseball cards. As Krause says, "The mechanics of starting a periodical, whatever the subject happens to be, are not foreign to us."

Its mechanical proficiency aside, Krause Publications has grown to its present size in large part because it has been so nimble in latching onto trends in the volatile market for collector publications. Chet Krause is quick to say that the nimbleness hasn't always originated with him.

He started his first sports-collecting periodical 11 years ago—thanks, he says, to two staff members "who just darkened my doorway until they finally convinced me that we should do this." He tested the market with a one-shot publication, successfully, and bought one of the two periodicals then in existence. Now,

Chet Krause *displayed some of his collection of World War II military equipment at a July show in his hometown of Iola, Wis.*

Krause estimates, his company has 80 percent of the market for sports-collecting periodicals.

Patterns in collecting, and thus the health of Krause's periodicals, can change drastically within a few years. Today, "baseball cards are about 45 percent of our overall business," he says, but a few years ago they counted for very little. Coins and cars—the foundation of the business—now account for only 15 percent of its revenues, with comics, toys, guns, and so on accounting for the rest.

Because of the popularity of baseball cards, Krause Publications surged in the '80s—"we went like hell for a few years," Krause says—but growth slowed in 1991. Yet he expects revenues this year will be up $3 million or so from 1991.

It is quite a business, especially considering that when he started *Numismatic News*, Krause didn't think of it as a business at all, but as "the extension of a hobby."

Krause, who will turn 69 in December, grew up as the youngest of six children on a farm about five miles from Iola. He joined the Army in 1943 and spent the rest of World War II in Europe, as a mechanic in an anti-aircraft battalion's motor pool. After he returned to Wisconsin, he worked mainly as a carpenter, but "I did electrical work and plumbing, and built chimneys, and God only knows what else."

Krause collected coins as a hobby, but, he recalls, "you had to travel as far as Milwaukee to find any other real collectors." The roads weren't good then, and long-distance calls were expensive, so, of necessity, Krause did most of his buying and selling and trading of coins by mail.

He worked on the first issue of *Numismatic News* on his parents' dining-room table in Iola. He patched together a mailing list—some of the names came from ads in a competing publication—and then relied on his readers to send him more names. "I solicited ads as ardently as I did subscriptions," he recalls.

Numismatic News was not an overnight success—Krause says that he lost $1,342 in the first 13 months—but he hired his first worker early in 1953. (He and an insurance agent shared an employee who picked up the mail and answered the phone.) It was not until the summer of 1956 that Krause "finally made the determination that I either had to lay down the hammer or get rid of the publication." He chose publishing.

By the time he moved to his present location, in 1975, he had 60 employees. Since then, the building has been expanded five times, to more than triple its original 20,000 feet, and the number of employees has more than quintupled.

Krause Publications is elephantine compared with its home town, which has a population of only 1,125 and is a half hour's drive from the nearest town of any size. But Krause has never considered moving out of Iola. He thinks that growing up in the Depression may account for the deep attachment he feels for what he calls "the village." "In those years," he says, "your neighbors were really your best friends." Krause's attachment to Iola was rewarded in 1990, when the U.S. Small Business Administration named him Wisconsin's Small Business Person of the Year.

PHOTO: T. MICHAEL KEZA

Krause started *his company with a newspaper for coin collectors like himself.*

It was in part to remove a threat to the company's continued residence in Iola that Krause adopted an employee stock-ownership plan (ESOP) in 1988. It now owns more than half the stock. Krause estimates his share at around 20 percent, "but I really don't know what the hell I own."

For all of Krause's fundamental indifference to financial matters—"I'm not a bottom-line manager," he says—Krause Publications has rarely flirted with serious financial problems. In the early '80s, Krause did fall prey to what he calls overconfidence, born of prosperity in the '70s. "Business was very good," he recalls. "We just thought we were geniuses, I guess."

Krause spent what he says was too much money expanding the headquarters building—so much, in fact, that he had to turn to a large Milwaukee bank for a $2.2 million loan, at a time when the company's annual revenues were running around $10 million. Relations with the bank were rocky, because Krause had never adopted the elaborate financial reporting that is now typical of American business. "We knew how to build buildings, and we knew how to promote new magazines," Krause says. "We didn't know how to furnish reports."

He paid off the loan in 1986. Since then, he says, when he has expanded the plant or made an acquisition, "we paid for that out of the cash register."

After he turned 65, Krause cut back on his day-to-day involvement in the company. "Right now," he remarked one day earlier this year, "there are probably three or four meetings going on around the place, and I'm not in any of them."

Some entrepreneurs have trouble letting go of the reins of their companies, but "I don't have that problem," Krause says, because he and Cliff Mishler, Krause Publications' president, have worked together closely for almost 30 years.

Krause, a bachelor, now spends a lot of time traveling. Last spring, he and four Army buddies went to Europe and, he says, "retraced our steps" during World War II. Soon after that, he went to Montana to hunt prairie dogs.

Krause started serious traveling after he became a publisher, and his travels opened up new realms of collecting. "I was basically out there promoting my product," he says, "and in the process I would find all this good stuff." He now has, he says, the "pre-eminent collection" of state bank notes—the currency issued by the states in the 19th century. He developed an enthusiasm for old cars, too, and that led 20 years ago to an annual show that now draws more than 2,000 classic cars and 100,000 people to Iola each July.

Right now, he is most interested in World War II-vintage military equipment. "I probably have 20 or 30 pieces," he says. "Rangefinders for guns and power plants and all that kind of stuff."

Krause owns four 90mm anti-aircraft guns, and he hopes that eventually, when the guns are combined with restored supporting equipment, they will function just as they did in World War II—with the obvious difference that they won't shoot down any planes.

When he talks about how he has located and restored such vintage equipment—he found the guns in the desert near Barstow, Calif.—it becomes clear that after 40 years, Krause the entrepreneur is still at the service of Krause the collector:

"To have all four of those guns tracking an airplane—that would be my ultimate goal. I don't have the expertise to do that yet. In the wintertime, maybe I can find some old antiaircraft guy who knows what was going on, and he can come by and help me."

Women In Business

Training and financing for women entrepreneurs; cracking the "glass ceiling"; billion-dollar managers.

By Sharon Nelton

ENTREPRENEURSHIP

Putting Women Into Business

Rebecca J. Maddox is betting her career on the success of women business owners.

Two years ago, her boss, Norman L. Phelps, chief executive officer of National Liberty Corp., an insurance company based in Frazer, Pa., was looking for a new approach to business that would be truly focused on the customer. To fill that bill, he asked Maddox, then a senior vice president, to dream up a new company. It had to serve a large, underrecognized audience and develop significant, long-term relationships. Moreover, to meet the needs of the parent company, Capital Holding, a financial holding company based in Louisville, Ky., the new business should have the potential to become a $500 million company within three to five years, Phelps said.

"Capital Holding is almost a $20 billion company, so for the [new business] to make sense for them, it had to be large," says Maddox.

Maddox knew she wanted to do something with women. She came up with a company she calls Compass Rose Corp., aimed at fostering the success of women entrepreneurs by offering them intensive training and hands-on business coaching. And money. The women who reach a certain level in the Compass Rose program are virtually assured that Maddox's company, drawing on the resources of Capital Holding, will finance their businesses, in amounts of $10,000 and up.

In September, Compass Rose signed its first financing package—a $600,000 debt-and-equity arrangement with the Earnings Resources Group, a Wayne, Pa., expense-auditing firm run by two former bank executives.

Compass Rose was formally launched in Frazer, a Philadelphia suburb, last November, with Maddox as its president. It takes its name from the ornate compasses on antique maps.

"If you come into our program, you come in with your business idea, and you leave with your business," says Maddox. "You've rented space, you have your phone system, you have your computer system, you have your business plan, you've hired your people. You are in business."

PHOTO: SAL DIMARCO JR.—BLACK STAR

Women entrepreneurs *can get training and cash from a national company created by Rebecca Maddox.*

Why target women entrepreneurs? In part because of their great numbers. Studies commissioned by Maddox showed that 10 million American women were self-employed last year and that 12 million planned to become self-employed within the next two years. These findings far exceed government and other estimates, which Maddox thinks are very conservative.

As a market, women entrepreneurs seemed like a good fit. Says Maddox: "I understood business. I knew just from general reading that there were problems with access to capital, experience, and training"—areas where Capital Holding could help.

Furthermore, she says, although women have a more difficult time obtaining loans and attracting investors, they are better credit risks and default on loans less often than men. "I don't get that information third-hand," she says. "That comes directly from looking at [Capital Holding's] own customers."

Compass Rose training consists of The Quest, a 60-hour self-discovery program that helps women determine if they are ready for self-employment or business growth, and The Journey, in which each woman works with a personal business coach and other professionals to complete all the steps involved in launching a business. Acceptance into this phase entitles entrepreneurs to start-up loans from Compass Rose once they complete the program.

A third program, The Retreat, is for women who already are business owners. It helps them evaluate the next steps they wish to take in both their personal and business lives.

The programs range in cost from $1,100 for The Quest to $5,500 for The Journey, and Maddox says that because of the high prices she must pay to get top consultants for the programs, she is happy to break even.

Compass Rose is a for-profit business, however, and its payoff will come as it and its backers develop relationships of trust with the women who go through its programs. "They will need 401(k) plans for their businesses. They will need employee-benefit programs," says Maddox, ticking off all the services—including insurance and financing—that the Capital Holding companies can provide. "It really is long-term," she says.

More than 175 women have participated in The Quest or The Retreat programs so far. Compass Rose expects to expand to New York, Chicago, and Boston in 1993, and this fall it has begun offering The Quest on a for-credit basis to graduate students at the University of Pennsylvania, in Philadelphia.

"Our mission is to enable women to be successful," says Maddox. "There's no way I can be successful if they're not successful—and I mean on a financial basis."

For more information, write or call Compass Rose at 20 Moores Road, Frazer, Pa. 19355; 1-800-678-7930. ■

CORPORATIONS

Chipping Away At The Glass Ceiling . . .

The "glass ceiling" that keeps women and minorities from getting top management jobs is showing more wear and tear.

According to the just-released revised edition of the landmark book *Breaking the Glass Ceiling* (Addison Wesley, $19.95), "the picture ahead is brighter now than it was five years ago," when the book was first published.

In addition, the U.S. Labor Department has found some signs of progress, it said in *Pipelines of Progress: A Status Report on the Glass Ceiling*, released in August.

However, both reports are cautiously optimistic and indicate that women and minorities are a long way away from achieving parity with white males in this country's executive suites.

On the plus side, the authors of *Breaking the Glass Ceiling*—Ann M. Morrison, Randall P. White, and Ellen Van Velsor—say some senior executives are beginning to recognize the need to respond to a more diverse labor market and customer base with more diverse managers, including women.

The Labor Department report noted that the proportion of female and minority corporate managers increased between 1981 and 1991.

Among the main barriers to improvement, according to Labor Secretary Lynn Martin, are the belief that women don't want to travel and the fact that top executives like to surround themselves with people like themselves.

PHOTO: STERRY ASHE

Labor Secretary *Lynn Martin, left, and SBA Administrator Patricia Saiki announce plans to help small businesses eliminate their "glass ceilings."*

At a press conference to release the *Pipelines of Progress* report, Martin and U.S. Small Business Administration (SBA) Administrator Patricia Saiki announced the launching of a joint effort to help small businesses recognize and eliminate their own glass ceilings.

For further information on the program, call the SBA's Office of Women's Business Ownership at (202) 205-6673 or the Labor Department's Women's Bureau at (202) 523-6611.

. . . And Women Who Prove It Can Be Done

Five years ago, when *Nation's Business* carried its first story on women who managed companies or divisions of $1 billion or more, such women were hard to find—especially in business. That picture is changing.

While women with such responsibility have not yet become commonplace, you can't count them on the fingers of one hand anymore. Their numbers are growing more rapidly.

Among those we found in 1987 were Marion O. Sandler, who was—and still is—co-CEO of Golden West Financial Corp., the nation's third-largest savings-and-loan; Karen N. Horn, chairman and CEO of Banc One Corp.'s Cleveland unit; and Katharine M. Graham, then chairman of the Washington Post Co. and now retired.

In addition to Sandler and Horn, today there are, among others:

■ Jill Elikann Barad, recently named president and chief operating officer of Mattel Inc., the $1.6 billion toy company based in El Segundo, Calif. She has been credited with expanding the sales of the popular Barbie doll from $485 million in 1987 to nearly $1 billion this year.

■ Patricia C. Barron, who became president of Xerox's largest unit, the $8 billion Office Document Products Division, in February.

■ Charlotte L. Beers, who in April was named CEO of Ogilvy & Mather Worldwide, an advertising agency with 1991 billings of $5.4 billion.

■ Ellen R. Marram, president, Nabisco Biscuit, the $2.7 billion core business of RJR Nabisco.

Know A Billion-Dollar Manager?

Nation's Business wants to keep readers apprised of other women who are making it to billion-dollar levels of management. Please let us know of such women by writing to Sharon Nelton, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000.

BOOKS

The Future Of Women

Those mega-prognosticators are at it again. Due out in October from husband-and-wife team Patricia Aburdene and John Naisbitt is *Megatrends for Women* (Villard Books, $22.50). Here's what they have to say about women and business:

■ The wage gap between men and women will narrow further in the 1990s, but it will not be eliminated. Better salaries for nurses and teachers will be one factor in reducing pay inequity.

In the 1980s, women's wages went from about 60 cents for every dollar men earn to 72.4 cents—in part because men's earnings declined, say the authors.

In addition, they write, "demographics finally began to work in women's favor. . . Education, experience, and labor shortages narrowed the wage gap in the 1980s and will continue to do so in the 1990s."

■ Younger workers of both sexes will continue to push for a balance of work and family in their lives. Corporations will have to respond with policies that emphasize flexibility, including leaves of absence, part-time professional work, job sharing, flextime, reduced hours, and sabbaticals. "Corporations that recognize the need for flexibility and how much it improves people's work will attract the best people and increase productivity," say Aburdene and Naisbitt.

■ The most effective new approach to management is becoming known as "women's leadership style." Unlike men, women have not had to unlearn the "command-and-control" type of management that has been traditional in the military and influential in business. The new leaders, say the authors, empower and motivate rather than issue orders. Instead of having all the answers, they have the right questions.

■ Throughout this decade, we will continue to see an explosion of "collaborative couples"—husbands and wives who start and run businesses together or work together in some other way. Technological developments in computers and telecommunications—along with new attitudes—are propelling this trend. NB

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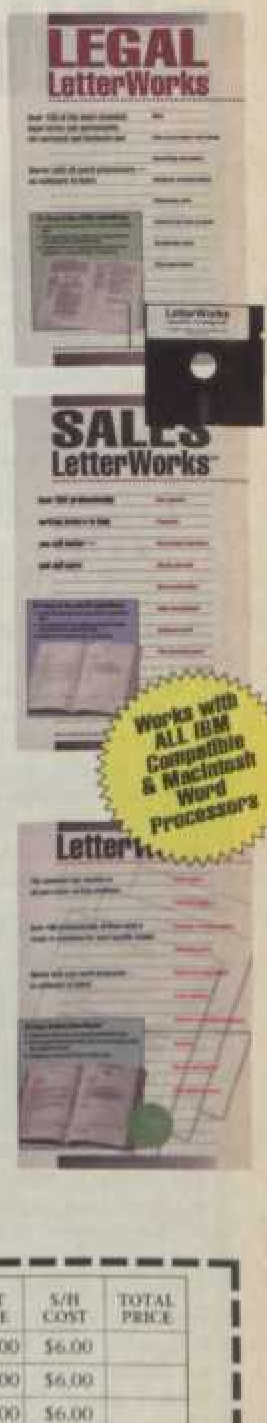

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REGULATION

Oil Shippers On Troubled Waters

A proposed Coast Guard environmental-liability rule, its critics say, could shut down the shipping industry.

By David Warner

A pending U.S. Coast Guard rule, proposed in the wake of the 1989 Exxon Valdez oil spill off the Alaskan coast, could have a devastating effect on shipowners and the U.S. economy, say its critics.

The rule was written to implement a provision of the Oil Pollution Act of 1990 and is intended to ensure that shippers would be able to pay for damage caused by a fuel spill.

The law, enacted after the spill in Prince William Sound, was designed to strengthen U.S. pollution-prevention and clean-up laws. But "it will put most of the independent [oil] transporters out of business overnight," says W. Bruce Law, president of Allied Towing Corp., in Norfolk, Va. Allied Towing employs 100 workers and operates 17 oil-tank barges in the coastal waters between Virginia and the Northeast. Law maintains that the rule so stringently limits the means of establishing financial capacity that most shipowners wouldn't be able to comply with it.

Two shipping-industry groups—the American Waterways Operators, in Arlington, Va., and the Transportation Institute, in Camp Springs, Md.—say the proposed regulation could lead to a shutdown of nearly all shipping, including most shipments of petroleum to, from, and within the U.S. The two groups represent more than 400 shipping companies, many of which are small, independent operators such as Law's.

The pending rule would require a shipowner to obtain a Certificate of Financial Responsibility from the Coast Guard for any ship over 300 gross tons to operate in U.S. waters. Ships other than oil tankers and oil-tank barges are included under the requirement because they carry oil as their own fuel.

To qualify for the certificates, shipowners must offer such proof of financial responsibility as insurance, surety bonds, letters of credit, guarantees, self-insurance, or other backing, according to the law.

This requirement may sound simple enough, but the law also requires that those who provide the Coast Guard with evidence of shipowners' financial responsibility must be "guarantors" for claims for damage from spills.

The problem is that most ocean and coastal shipping firms obtain oil-pollution coverage through protection and indemnification (P&I) clubs, which have refused to provide evidence of shipowners' financial responsibility or to act as guarantors because of what they see as the potential for unlimited liability created by the law. The nonprofit clubs cover 95 percent of the ocean merchant ships traveling between U.S. ports only or between U.S. and foreign ports; this fleet includes nearly all oil tankers and dry-cargo ships.

Other means of showing evidence of financial responsibility are not available to—or are too costly for—most shipowners, say the law's critics. Insurance, for example, can be obtained through the U.S. Water Quality Insurance Syndicate, in New York, but the coverage is for a maximum of only $10 million, compared with a maximum of $500 million from the P&I clubs. Shippers say $10 million in coverage would easily be surpassed in all but the smallest spills because of the law's expansion of liability, forcing shipowners to pay the additional costs.

While the P&I clubs will continue to offer pollution coverage, the shippers are out of luck because the clubs will not serve as guarantors. The Coast Guard says it cannot issue a Certificate of Financial Responsibility to a shipowner unless its P&I club agrees to be a guarantor. Without a certificate, a ship can't operate in U.S. waters.

"If [the law] went into effect today, Allied Towing ... would cease to exist," says Law, whose barges and tugs are covered for spills through a P&I club.

Several provisions in the law make it impossible for P&I clubs to act as guarantors, club officials say. The law increased the potential liability for a spill by increasing the amount of the liability to $1,200 from $150 per gross ton of the weight of the ship alone, and by expanding the list of those who could file damage claims. Before the 1990 law, only the federal government could file claims directly against a guarantor. Under the new law, "any person," state, or local government can sue a guarantor directly for costs associated with a spill.

The definition of associated costs was also expanded. Such costs now may include not only cleanup expenses but also damages for loss of, or injury to, natural resources; economic losses resulting from destruction of real or personal property; loss of subsistence use of natural resources; loss of revenues, profits, and

Oil-shipping firms *like his could be shut down by a complex, pending rule on oil-spill liability, says W. Bruce Law, president of Allied Towing Corp., in Norfolk, Va.*

earnings capacity; and the cost of public services, such as responses from local fire, safety, and health agencies. The law does not pre-empt states from adopting their own oil-pollution liability statutes.

The proposed regulation would eliminate almost all so-called policy defenses—such as a failure to pay premiums—used by insurers to nullify a policyholder's pollution-liability insurance. Although shipowners' liability would be limited to the greater of $1,200 per gross ton or $10 million, that limit could be lifted if a spill resulted from gross negligence, willful misconduct, or the violation of an applicable federal safety, construction, or operating regulation.

Other than an accident caused by an "act of God," such as a storm, according to shipping experts, almost every mishap can be linked to an error in operation.

In addition to the inclusion of third-party claimants, the lack of protection from separate claims under state oil-pollution laws, and the elimination of policy defenses, P&I clubs say, courts in some cases probably would hold clubs liable for amounts exceeding even the coverage they give their shipowners, despite a statutory limit on a guarantor's liability.

> If [the Coast Guard] doesn't bend and produce some flexible rules that work, they're going to . . . shut an industry down.
>
> —Rep. W.J. (Billy) Tauzin

Some legal experts say such statutory limits can be—and have been—broken in court.

The P&I clubs' reinsurers, which provide additional pollution coverage and are principally the underwriting companies that make up Lloyd's of London, say they also cannot be guarantors subject to direct action from "unnamed, indeed unimagined third parties" for the reasons cited by the clubs. The insurers say there is no way to write and price pollution coverage if their liability is unknown and essentially unlimited.

The threat of economic chaos is one reason the law—adopted in August 1990—and its regulations have not yet been implemented. There is no statutory date for the law's implementation, and it is not likely to take effect until the impasse between the Coast Guard and the shipping industry is resolved.

The House Merchant Marine and Fisheries Subcommittee on Coast Guard and Navigation held hearings in November 1991 to examine the issue.

Ship companies testified at the hearing that they believe the Coast Guard has the flexibility to write regulations that allow P&I coverage to be counted by shipowners as an asset for purposes of showing self-insurance or to be used as "other evidence" of financial responsibility without establishing the P&I club as a guarantor.

Oil-pollution laws in California and Virginia, for example, accept membership in a P&I club as evidence of a shipowner's financial responsibility.

The Coast Guard, part of the U.S. Department of Transportation, says it has no flexibility in the matter and that it can't circumvent the intent of the law. It argues that P&I coverage cannot be counted as an asset because the insurer could avoid direct legal action by nullifying a shipowner's coverage through policy defenses, "thereby thwarting the requirements of OPA."

The Coast Guard also maintains that those who provide evidence of financial responsibility are defined in the law as guarantors.

"There isn't anything else we can call [P&I clubs] other than guarantors," says Lt. Cmdr. Ernest Del Bueno, external affairs officer at the Coast Guard's National Pollution Funds Center.

Some lawmakers who supported the Oil Pollution Act disagree with the Coast Guard's position, however.

Says Coast Guard Subcommittee Chairman W.J. (Billy) Tauzin, D-La.: "The Coast Guard could flexibly interpret the language to say that evidence of other financial responsibility could be accepted as an asset for self-insurance. There seems to be [committee] report language that seems to indicate that Congress intended for them to have the power to get around direct action."

Tauzin says the Coast Guard also can let P&I clubs include defenses in their pollution policies, and it can value the coverage, as an asset, based on the likelihood of a policy defense being invoked.

"If [the Coast Guard] doesn't bend and produce some flexible rules that work, they're going to produce some rules that shut an industry down and put the Coast Guard in the untenable position of having to deny entry to vessels importing important products to America," Tauzin says. "It can't find itself in that position." NB

Tell Us Your Story

If your company or organization has had experience with troublesome or unduly burdensome regulations, send details to Regulations, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000.

Family Business

Women who inherit the reins; the value of outsiders on the board; a firm with no successors in place.

OBSERVATIONS

Happy Accidents Of Birth And Marriage

By Sharon Nelton

In a recent letter to the editor of *Working Woman*, a reader takes the magazine to task for including women who inherited their businesses in its "Working Woman 25" list of America's top women business owners.

The reader, Tana Fletcher of Brookeville, Md., singles out Helen K. Copley, chair and CEO of Copley Press, a newspaper and cable TV company in La Jolla, Calif., and Ellen R. Gordon, president of Tootsie Roll Industries, in Chicago.

If a woman doesn't have what it takes to run a company, she'll soon be found out.
—Sharon Nelton

Fletcher asks: "What kind of message did you hope to convey with 'Copley started as secretary to newspaper magnate James S. Copley, married him, and inherited the company when he died . . .'? Or 'Gordon inherited a majority interest from her father . . . but her husband ran the company for years'?"

Fletcher writes that she wishes *Working Woman* had selected winners who "had earned success through their own efforts rather than accidents of birth or marriage."

Family-business experts tell us that heirs to a business are perceived as undeserving. And perhaps women are seen as even more undeserving—especially if they have inherited a leadership role from a husband.

Although things are beginning to change, women—talented or otherwise—have traditionally been kept out of family-business executive suites. Now, upon a husband's or a father's death, talented women increasingly are taking charge where once they might have let advisers pressure them to sell. It takes grit and hard work to hold on.

Helen Copley has kept Copley Press going for nearly 30 years; she employs 3,500 people, and the company enjoys annual revenues of $405 million.

Ellen Gordon, 12 years younger than her husband, Melvin, was going to college and looking after the first three of their four children when her husband became CEO of Tootsie Roll in 1962. They inherited control of the company from *her* parents. She joined the company in 1968 and did not become president until 1978. Credited with keeping the company in family control, she no doubt earned the title.

There are other heirs on the *Working Woman* list—for example, sisters Gretchen Minyard Williams and Liz Minyard, co-chairs of Minyard Food Stores, a Texas supermarket chain. Under their leadership, sales grew from $629 million in 1989 to $700 million last year despite the recession.

There's Donna Steigerwaldt, who took charge of Jockey International after her father died in 1978; she keeps 5,000 workers employed. And there's Helen Jo Whitsell, CEO of Copeland Lumber Yards Inc., in Portland, Ore., which grew in revenues from $107 million in 1987 to $152 million last year.

These women—and many others who are at last succeeding to leadership in family firms—are clearly doing something right. If a woman doesn't have what it takes to run a company, she'll soon be found out.

Men with names like Ford and Marriott have been inheriting control of businesses for decades. Why not women? Competent women have been passed over for far too long. It's good to see them become contenders for leadership, and it's even better to see them prove they can do the job.

PLANNING

Outside Directors: How They Help You

By Craig E. Aronoff and John L. Ward

Having an active, effective board of *outside* directors is, we believe, the single greatest resource for the family business. Dozens of business owners who are committed to continuously developing their firms while maintaining family control have told us that having an outside board is the best thing they have ever done.

We typically avoid making broad generalizations, but on this subject, our experience causes us to make some categorical statements. A "good" board will improve your company's strategy. A "good" board will help assure your company's continuity. Board meetings provide important forums for communication. They stimulate planning.

Boards also help in other ways. We've seen business founders racked with doubt about their successors' capabilities or about their own roles subsequent to a transition. By providing a knowledgeable, objective, and understanding perspective, outside board members offer tremendous emotional support.

We've seen many successful transitions that would not have been accomplished without the outsiders on the board. We've seen the failure of transition attempts that would have succeeded had a good board been in place. The board can overcome the fears that most often stall the transition process by providing commitment and momentum for one generation letting go and the next taking over.

When second-, third-, or fourth-generation family firms are co-owned and co-managed by several or many family members, outside directors add strength to the continual search for consensus. Board discussions elevate the quality of discourse.

When some family owners are in the business and others are not, outside directors provide the necessary objectivity for addressing issues such as dividends, titles, compensation, and performance.

We've seen the process of developing appropriate policies change from family feuds to rational deliberation when out-

side board members were brought into the discussion.

What does a "good" board look like? It includes three or four currently active chief executives whom you respect and who have business and personal experience relevant to the key issues you face. Their *only* interest in your business is that it grows stronger and lasts longer.

The establishment of such an outside

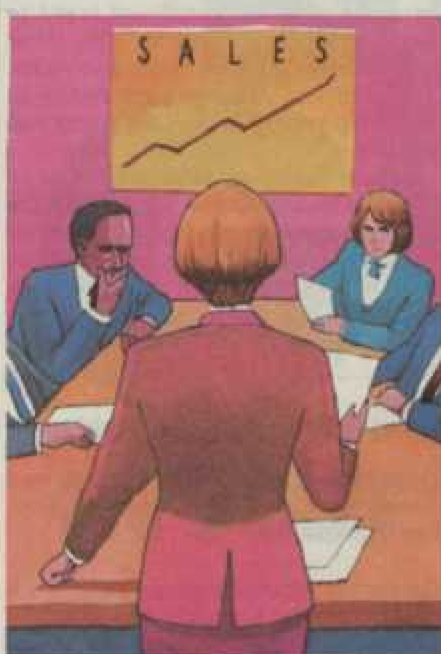


PHOTO: DAVID CHEN

board brings many advantages to a family business. Among them:

Fresh, creative perspective. Boards brainstorm ideas and explore embryonic thoughts without the risk that employees might overreact to the topics before they are developed. The breadth and depth and differences of the directors' own experiences bring tremendous creativity.

Objectivity. With no vested interest in you or the business, an outside board is the best source of honest feedback and opinion.

Clarified roles. Family-business owners often confuse their various roles. Sometimes they just can't tell whether their thinking represents family, manager, or owner perspectives. Directors can help them see which "hat" they seem to be wearing on a given topic.

Accountability. Outside boards provide discipline and accountability for company leaders, resulting in higher standards and better performance.

Affirmation and confidence. Business owners experience increased self-confidence to take new risks because outside directors usually affirm their thinking and reinforce their abilities.

Promise of continuity. The mere existence of an outside board tells all impacted by the organization that responsible succession planning is a priority. Fears that the business will be sold are diminished. Bankers, customers, suppliers, and others feel reassured. Spouses or heirs have help in case of a crisis.

Symbol of openness. The existence of a board also tells the organization that business leaders are open to new ideas and that their thinking can be challenged.

Despite these tremendous advantages, we find less than 5 percent of all midsize family firms have such an active, outside board. Why?

Most often, business owners just have not imagined the possibility. They think of a board as a fancy governance system for a public company or an honorary relationship in a community organization—not as a resource for the private company.

Often they see the potential but are too humble to believe they can attract highly respected CEOs to be directors. We have consistently found that many private-company CEOs will respond positively to an invitation from a well-prepared, well-intended business owner.

Family-business leaders sometimes feel overwhelmed by the amount of work they think effective board management will require. In our experience, it takes about 10 days to set up an effective board and another day per quarter to prepare for each meeting. Again, however, those who make the commitment consider it to be perhaps their very best investment.

We have seen boards fail, but only when they are established without adequate thought to their purpose. When family-business chief executives are so committed to their own impulses that they can't take counsel or feedback even from those who have their best interests at heart, a board may not click. Even if they've had such experiences, business owners approaching generational transitions should reconsider the contributions outsiders can bring.

The greatest threats to family-business continuity are strategic myopia and lack of proper succession planning. No one knows that better than successful CEOs of other businesses. Nothing can help you address these threats more than putting CEOs on your board. ■

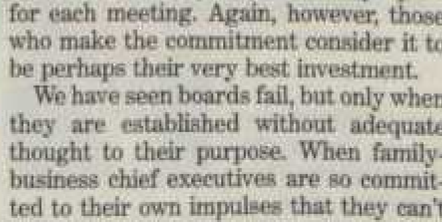
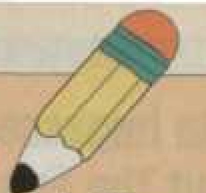


PHOTO: T. MICHAEL KEZA

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.



Mark Your Calendar

Oct. 28, Bloomington, Minn.

"Success and Survival for Family-Owned and Closely-Held Businesses," a workshop that covers major issues of succession planning. Contact Rena Moline, Family Business Group, McGladrey & Pullen, Suite 1300E, 800 Marquette Ave., Minneapolis, Minn. 55402; (612) 376-9328.

Nov. 11-13, Cleveland

"Managing Succession Without Conflict," a seminar led by family-business consultant Léon A. Danco. Contact the Center for Family Business, 5862 Mayfield Road, P.O. Box 24268, Cleveland, Ohio 44124; (216) 442-0800.

Nov. 20-23, Miami/The Bahamas

"Successorship in the Family Business," a seminar led by management consultant F. Eugene McGrath aboard the Royal Caribbean cruise ship Nordic Empress. Contact Richard Polk, Captain Cruise Inc., 2040 Broadway, Schenectady, N.Y. 12306; 1-800-347-3933.

Jan. 8-15, Ocho Rios, Jamaica

"A Family Business Seminar in Jamaica" features Leonard Geiser, director of the Family Business Program at Goshen College, in Goshen, Ind. Contact Henry D. Landes Associates at Box 376, Harleysville, Pa. 19438; (215) 256-3011.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

CASE STUDY

At An Impasse About The Future

ILLUSTRATION: DAVID CHEN

John Henderson, 73, owns 50 percent of a family business that manufactures pharmaceutical products and distributes them to the Western states. The other 50 percent is shared by John's two nephews, Mike and Jim, who help run the business, and by three nieces who have no active role in the company. John has no children, but Mike, Jim, and the nieces all have offspring—and three of the nieces' children are employed in the company.

Henderson Pharmaceuticals has a consistent growth record, no debt, and an enormous cash flow. It has the capacity to expand into national and international markets with internal capitalization.

Although the company is positioned well for growth, John, Mike, and Jim face a serious challenge. Both nephews wish to decrease their level of involvement. Jim has worked at Henderson Pharmaceuticals since 1961, and Mike has been there since 1964. John has no wish to lessen his own involvement, but he knows that he can't run the business alone.

Over the years, John, Jim, and Mike have been so focused on growing the business that they have never made clear plans for a leadership transition. Now, when they look to their nonfamily top managers, they see insufficient talent to step into the top positions. The three active family members in the generation after Jim and Mike are interested in leadership roles, but they are young and lack senior management experience.

Deep in his heart, John would hate to sell the company, and he wishes that Jim and Mike would stay involved. Jim wants to expand his involvement in politics, Mike wants to travel, and they both think it might be nice to sell the business.

How can they handle this impasse?

Take Action To "Buy Time"

PHOTO: [illegible]

Stephan Tow, president of Stephan Tow & Associates Insurance Services, Inc., which specializes in estate and succession planning for family companies, in Sherman Oaks, Calif.:

John, Jim, and Mike have ignored the need for long-term planning that would assure the future of their company. This very successful family business needs a management-development program for both family and nonfamily managers.

For the time being, John and his nephews can hire a professional president who has experience in taking a company from a family-run business to a sophisticated company that can expand both nationally and internationally. During this transition, younger family members can be trained to take over.

The profits from Henderson Pharmaceuticals can provide family members with income and allow them to keep their social position within the community. The corporation can elect to be an "S"-taxed entity so that profits flow through to shareholder family members. This could provide income for all relatives, active and inactive.

A family council ought to be initiated to develop a family creed, establish rules for entrance into the business, and determine the family's role in the business and in the community.

Alternatively, John, Jim, and Mike could agree that the business buy out Jim's and Mike's interests. With the company's strong cash flow, financing the buyout should be doable and could accomplish Jim's and Mike's objectives of realizing value and creating financial options. An ESOP (employee stock ownership plan) might be an ideal vehicle for this purpose, allowing Jim and Mike to sell a part of their interests and still retain a stake.

This family needs to take action now in order to "buy time." Postponing decisions will reduce financial options and raise emotional stakes while time is slipping by.

Enlist Help In Decision Making

Vivien Blackford, a family-business and management consultant based in Hartford, Conn.:

Henderson Pharmaceuticals faces a dilemma common to family firms: Shareholders have differing wants and needs. John wants things to stay the same, Jim and Mike want to sell, and the others want the opportunity for their children to develop and take over leadership of the company.

John, Mike, and Jim fortunately have a number of options. They could:

- Sell the business, with or without a continuing management role for John.
- Bring in professional management to take charge permanently or to manage only until younger family members develop sufficient leadership ability to run the business.
- Bring in a new partner for John. The partner could buy Jim's and Mike's shares and assume some management responsibilities. This would enable John to stay involved at his present level but provide him with the management help he needs.

Each option holds greater advantages for some owners than for others. Careful deliberation and negotiations will be necessary.

These discussions will be easier and more effective if the owners seek the assistance of three or four seasoned business people to serve as outside directors on the company's board. The outside board members will provide unbiased views and ask questions that keep John, Jim, and Mike focused on a common goal: maintaining and enhancing corporate value.

The shareholders will also benefit if they hire a consultant to design a management-succession process and guide them through it. The plan should include time frames for accomplishing goals and benchmarks for measuring results.

This is one of a series of case studies of family-business dilemmas, commented on by members of the Family Firm Institute and edited by Mike Cohn, president of The Cohn Financial Group, Inc., in Phoenix. The cases are real, but identities have been changed to protect the privacy of the individuals involved. The authors' opinions do not necessarily reflect the views of the institute.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

HUMAN RESOURCES

AIDS Information

I own and operate a small retail business, and I want to offer my employees some form of program about AIDS. Any advice?
G.A.H., Elkton, Md.

The U.S. Chamber of Commerce offers a free pamphlet, *How to Manage AIDS in the Workplace*, which discusses financial costs connected with the disease, employers' rights and responsibilities, how to establish a policy for workers with AIDS, and where to go for more information. To request a copy, contact the U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000; 1-800-638-6582 (in Maryland, 1-800-352-1450).

An American Red Cross program, "America at Work: Living With HIV," is designed to give employers and their employees information about the HIV virus and AIDS. The program is free and is presented by specially trained and certified Red Cross instructors. It includes a videotape and discussions about HIV prevention, confidentiality, and the rights and responsibilities of both employers and employees. For more information, contact your local American Red Cross chapter.

Edge Technologies, a computer-based training firm in Hoboken, N.J., offers a software program designed to educate employees about AIDS in the workplace. The interactive, 45-minute program is accessed through a personal computer. The course includes sections on how the disease is transmitted, how to prevent transmission, and working with an HIV-infected co-worker. Answers to the most frequently asked questions are also provided.

The program costs $495, but a free demonstration diskette is available. Contact Janine Payeur, office manager at Edge Technologies, 610 River Road, Hoboken, N.J. 07030; (201) 798-1873. ■

RECREATION

Bowling For Business

My wife and I want to open a bowling alley. Where do we get information on starting such a venture?
B.G. Pierce, Neb.

R. Lance Elliot, executive director of the National Bowling Council, says there are

ILLUSTRATIONS: MARTHA [illegible]

a dozen council member companies and organizations that can help you with various aspects of running a successful bowling alley.

The list includes American Bowling Congress, 5301 S. 76th St., Greendale, Wis. 53129; Brunswick Bowling & Billiards, 525 W. Laketon Ave., Muskegon, Mich. 49443-0329; Bowling Proprietors Association of America, P.O. Box 5802, Arlington, Texas 76011; and Murrey International Inc., 407 W. Rosecrans Ave., Gardena, Calif. 90248. Elliot suggests you write to the businesses directly or contact him for the complete list of companies and organizations, or for whatever other information you may need.

The National Bowling Council is at 2300 Clarendon Blvd., Arlington, Va. 22201; (703) 841-1660. ■

VIDEO RENTALS

Film To Go

I would like information on how to start a video-rental store.
B.S., Edmonds, Wash.
(Similar request from B.H., Springfield, Mass.)

Kathy Gilmour, director of public relations for the Video Software Dealers Association, invites you to call her with your questions. She says she can help you with locating videotape distributors, suppliers, and statistical information about the industry.

The association also offers video and

audio tapes of seminars on topics that range from store management to taxes.

To contact Gilmour, write or call the Video Software Dealers Association at 303 Harper Drive, Moorestown, N.J. 08057-3229; (609) 231-7800. ■

BASIC INFORMATION

Starting From Scratch

I need help in getting basic information about starting a business. Is there a checklist or a book that could help me?
C.W., Rock Hill, S.C.

There's a variety of such sources. *Nation's Business* offers them in both video and print format. "How to Start and Manage Your Business for Success" is a videotape that describes how to build a business from the financing stage. See Page 58 for details on ordering.

Our *Small Business Resource Guide* is a handy reference on starting and running a business. Information on how to obtain it appears on Page 67.

Another useful publication for fledgling entrepreneurs is *Succeeding in Small Business: The 101 Toughest Problems and How to Solve Them* (Penguin Books), by Jane Applegate. It offers a practical and easy-to-read approach to determining if you are entrepreneur material. Areas covered in the book include how to use your skills to start your own business, how to find capital, how to use computer technology to your advantage, how to hire the best employees, when to use independent contractors, and how to deal with a business catastrophe.

Applegate's book also contains a comprehensive directory that tells how to get additional information and contains a state-by-state list of the regional offices of the U.S. Small Business Administration.

The 382-page, $12 paperback is availa-

ble in most bookstores or by writing to Penguin Books USA Inc., 375 Hudson St., New York, N.Y. 10014.

A helpful book for those starting a business or those who need help in running a firm is *The Small Business Information Handbook* (John Wiley & Sons), by Gustav Berle. The 256-page paperback offers a wide selection of information about small-business development, agencies, markets, industries, financing, management, customer service, and other topics.

Priced at $19.95, the book is available through local bookstores or by writing to John Wiley & Sons, Professional and Trade Division, 605 Third Ave., New York, N.Y. 10158-0012. ■

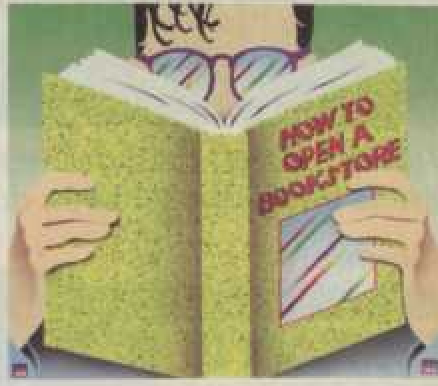
RETAILING

It's In The Books

I am interested in starting a bookstore and need information on how to contact bookstore franchisors and other independent organizations that may be helpful.
J.P., Evanston, Wyo.

For help in locating bookstore franchises, contact the International Franchise Association at 1350 New York Ave., N.W., Suite 900, Washington, D.C. 20005; (202) 628-8000.

For general information about opening and running an independent bookstore, contact the American Booksellers Association.



The association provides information—some of it free—on how to open and manage a store, and the industry-wide financial outlook for bookstores.

For more information, write or call the American Booksellers Association at 560 White Plains Road, Tarrytown, N.Y. 10591; (914) 631-7800. ■

EQUIPMENT RENTAL

Temporary Arrangements

I am thinking of opening an equipment-rental company, and I need information about the rental business.
S.B., Evanston, Ill.

The American Rental Association's free information kit about the rental industry includes a publications list as well as facts concerning its training seminars and promotional materials.

The associations's Executive Vice President James R. Irish says the rental industry is growing; its revenues of $20.8 billion in 1990 were up from $6 billion in 1982.

The rental association offers various training seminars and information packets aimed at helping the rental-business owner start a business. The materials also suggest techniques for expanding a rental firm's market.

For more information, write or call the American Rental Association at 1900 19th St., Moline, Ill. 61265; (309) 764-2475. ■

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102.

Writers will be identified only by initials and city. Questions may be edited for space. NB

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Marcia J. Pear

The Agony Of De Feet

One evening last winter I walked out of a movie theater and into a real-life drama involving my left foot. Every step I took brought increasing pain, radiating through my heel as though I'd pounded my sole with a brick.

I cut back on my vigorous power-walking routine, reasoning that the ache came from a pulled muscle or bruise and would right itself with a few days' rest.

Wrong.

Each morning, as my feet touched the floor, the pain intensified.

I hobbled into my local athletic-shoe store for advice. The salesman, who is also a running coach, didn't even have to examine my foot to make a diagnosis. "Plantar fasciitis," he informed me. "We see five or six cases a week."

PHOTO: ©JOEL BALDWIN—THE STOCK MARKET

A sudden increase *in running or walking can bring on the painful foot condition called plantar fasciitis.*

Foot problems are endemic to modern society. Ironically, the activity that has propelled Americans toward greater health and fitness—walking—has also fueled the cry, "My feet are killing me!"

Why? Primarily, says San Francisco podiatrist James Nickolopoulos, because "most people are unaware of the mechanics of the foot, and of proper footwear." His practice has seen a sharp rise in cases of plantar fasciitis during the last three to five years.

Plantar fasciitis (PF) is an inflammation or tearing of the fascia, the connective tissue that runs from the heel bone to each of the five toes.

James Garrick, an orthopedic surgeon and director of the Center for Sports Medicine at St. Francis Memorial Hospital in San Francisco, likens the arch of the foot to a bow, and the plantar fascia to a bowstring. The fascia maintains the arch's normal shape, just as a bowstring maintains the shape of a bow.

Overstressing the foot can lead to PF, Garrick explains, because "your muscles run out of gas, and your foot tends to sag into the plantar fascia."

Weekend athletes, people who are overweight, those who do excessive walking on the job (such as police officers or mail carriers), and all those who suddenly increase the amount of running or walking they do are likely candidates for PF.

Ill-fitting shoes play a major role in foot injuries, says Garrick. "If you're in high heels all day, you may wind up with shortened Achilles' tendons and tight calves. Since it's harder to get your heel down, your plantar fascia is being strained. Over time, this can predispose you to PF."

While the onset of PF is often slow and insidious, it can also occur abruptly, if you stumble on a rock or jump off a ladder, for instance.

In my case, I was susceptible in part because I tend to pronate, or rotate my feet inward as I walk. "In pronation, there is more tendency for the arch to want to collapse," says Garrick. "The fascia is working to keep the arch from collapsing, so the additional stress can lead to injury."

By the same token, high-arched feet, which are relatively inflexible, are poor shock absorbers—and thus more vulnerable to sprains or strains.

The reason PF can take so long to heal, says Nickolopoulos, is that each time you step on the foot, you re-injure it. That's why the agony I experienced each morning is one of plantar fasciitis' hallmarks. "During the night, the area starts to mend," he says. "The minute you bear weight, you actually tear the fascia all over again."

Nickolopoulos' treatment involves wrapping and taping the injured foot in a way that maintains the arch's integrity. His goal is "to get the person 90 percent better, then roll them into arch supports [orthotics]."

You can buy ready-made orthotic devices at most drug and sporting-good stores, generally for $15 to $30 a pair. I originally tried these, but found them inadequate for the amount of walking I do, and opted for the custom-made variety. Custom orthotics can cost anywhere from $100 to $300, but, like prescription eyeglasses, they may be a worthwhile investment.

Garrick also recommends that you rest and ice the affected area, take aspirin to reduce the inflammation, and, while you're mending, switch from walking or jogging to an exercise that doesn't stress the heel, such as swimming or cycling.

Most important, strengthen the muscles that help support your arch. Garrick's prescription for golden arches is to stay on your toes—literally. "At work, take your phone calls standing up, balancing on one foot," he says. "Use your desk for support, and do toe raises to strengthen your calf muscles. When you're sitting, push your injured foot out and up against the leg of the desk, then in and up, to tone the muscles alongside the plantar fascia."

A final foot note to help save your sole: Don't step into a dream world. "People go on vacation with idyllic images of running carefree on the beach," warns Garrick, "when running barefoot on sand is a sure way to cause plantar fasciitis—your heel sinks down, and as you come forward, it's harder to maintain your arch. If you must jog along the beach, wear shoes, and run where the sand is firm." NB

Marcia J. Pear is a writer specializing in health issues and principal of Pear Communications, a San Francisco-based marketing communications firm.

It's Your Money

A monthly survey of strategies and suggestions to help you with your personal finances.

By Peter Weaver

INVESTING

Selecting Utility Stocks

PHOTO: ©JEFF ZARUBA—FOLIO, INC.

Some utility stocks *may be paying higher dividends than warranted.*

With the drop in interest rates, many investors in search of relief are ranging far afield from low-yield certificates of deposit, government securities, and money-market funds.

One option that looks almost too good to be true is utility stocks. Some of these stocks are currently paying dividends as high as 9, 10, even 11 percent.

"These payouts are often dangerously high," says John Slater, senior portfolio manager with Hickory Investment Advisors, in Cleveland. He says that level of dividend payout "usually means the stock price has gone down and the dividend drop is not far behind."

To illustrate his point, Slater, who is the author of *Safe Investing* (Simon & Schuster), surveyed 20 utility stocks he picked at random last year.

This summer, over a year later, the prices of those stocks that were paying unusually high dividends had dropped an average of 18 percent or more, while the dividend rate had plummeted an average of 31 percent.

Surprisingly, the utilities whose stocks paid the lowest dividends had increased the rates they charged their customers by more than 30 percent, even as their market prices stayed level or went up only a few points.

What's going on here? "With the super-high-dividend companies," Slater explains, "there were often inherent problems with the rates they charged customers and with management."

In other words, these utilities were paying dividends that, in many instances, they couldn't support over the long term.

The companies with the lowest dividends, on the other hand, had trimmed costs, had negotiated good rates with regulators, and were in a position to raise their dividends.

"If you are in the market to buy utility stocks," Slater says, "pick the lowest yields—you'll have a better chance, by far, for dividend growth and capital gains over a two-year period." ■

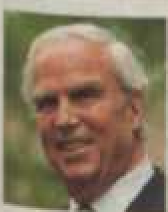
PHILANTHROPY

Look Before You Leap Into Charitable Donations

The "giving" season is almost upon us, and you can expect to receive a record wave of urgent appeals.

"There are more than 400,000 charities out there competing for your donations," says Margaret Bower, a spokeswoman for the Council of Better Business Bureaus' Philanthropic Advisory Services.

And because of the recession and the weak recovery, people have less money to give while charities need more funds to serve the homeless, abandoned children, famine victims, medical researchers, and many other worthy recipients.



Peter Weaver is a Washington-based columnist on personal finance.

So, if you do plan to give this year, be sure the bulk of your money goes to the intended recipients and not for undue advertising and management costs of the institutions making the appeals.

"Charities will tug at your heartstrings about specific problems," Bower says, "but won't tell you how your money will be spent."

If you don't know much about a charity, get a financial statement to find out how much is spent on administration and soliciting of funds and how much goes to the cause itself. "We feel that [a charity] should be spending at least 50 percent of your dollars on the actual cause," Bower says.

Charitable organizations that have a lot of volunteer help are often worthy recipients because their labor-intensive costs are usually kept to a minimum.

"If you get an appeal through the phone," Bower warns, "don't give them your credit card number." You should always resist high-pressure tactics, and ask for a brochure with the address and particulars of the organization making the pitch.

With so many appeals coming by phone, through the mail, and door to door, you may want to get some help from professionals that rate charities for their honesty and effectiveness.

You can get ratings of more than 300 major charitable organizations in a directory, *Give—But Give Wisely*, researched and published by the Council of Better Business Bureaus, 4200 Wilson Blvd., Suite 800, Arlington, Va. 22203. The price is $2, postpaid.

The National Charities Information Bureau also publishes a guide that describes the charities that generate the greatest number of questions. Included in the publication are charities that meet the organization's standards—and those that don't.

It's called the *Wise Giving Guide*, and you can get a free copy by sending a stamped, self-addressed business envelope to NCIB, Dept. 185, 19 Union Square West, New York, N.Y. 10003. ■

For Your Tax File

How to keep taxes from trapping you.

By Albert B. Ellentuck

RETIREMENT SAVINGS

Helping Your Children Plan For A Distant Future

PHOTO: ©TERRY WILD STUDIOS—UNIPHOTO

Babysitting *and other jobs can earn children not only spending money but also seed money—for an IRA.*

Last month we discussed the tax strategy of employing your children in the family business and possibly contributing all or part of their salaries to an Individual Retirement Account (IRA) that you set up for them. In fact, however, an IRA may be a good idea even if your children work for someone else.

As a practical matter, since children usually don't earn much from a summer job or a paper route, you may wonder why they would want to save their earnings when retirement is the farthest thing from their minds. However, there is a way to let them work and have some spending money while you build a substantial retirement fund for them.

Perhaps your daughter, for example, starts earning money at age 13 by babysitting and also works as a counselor at summer camp from age 16 until she graduates from college. During each of those years she puts $2,000 into an IRA, and you give her $2,000 each year, in addition to your other financial support, to compensate for her IRA contribution. When she reaches 22, she lands a permanent job and continues to contribute $2,000 a year of her own money to her IRA. Her contribution will be deductible. (In the previous years, she may have had insufficient income to owe federal taxes and thus claim deductions.)

By beginning contributions so early, and through the effect of compounding, she can build up a very substantial retirement fund. Lewis Siegel of Siegel Benefit Consultants, actuaries in Rutherford, N.J., says that even if your daughter stops contributing at age 25, if the IRA averages a 7 percent annual return for the next 52 years, the account would grow to more than $603,000 to provide for her retirement at age 65.

Many parents say children should be allowed to spend only what they earn. But if you view this as $2,000 that the child would not receive if he or she had not earned that amount, you maintain the motivation for the child to work. You also have begun a modest "gifting" program to your child that could result in a dramatic retirement program.

You can make deductible contributions to an IRA of up $2,000 a year. But if either you or your spouse is covered by a qualified retirement plan, your contribution is fully deductible only if your adjusted gross income is under $25,000 if single or under $40,000 if married filing jointly.

Clarification

Contrary to last month's statement that a parent could use the exemption for a child who has up to $5,900 in income in a year, in fact the exemption would be used by the child at that income level, not by the parent. Also, your child on your payroll generally would not be liable for Social Security and state unemployment taxes, though you as the employer would be. ■

DEDUCTIONS

The Tax Advantages Of A Home Office

A home office can provide valuable tax deductions, but home-office entrepreneurs often fail to take advantage of them.

Keep in mind that home-office expenses—except for real-estate taxes and mortgage interest, which are fully deductible on your individual tax return—can be deducted only against income from the business. In other words, those expenses cannot be used to create a business loss to offset other nonbusiness income.

Essentially, if you have a 250-square-foot den used exclusively as your office in a 2,500-square-foot house, you can claim as a business expense 10 percent of your mortgage principal, maintenance costs, repairs, utilities, insurance, security systems, and depreciation on your home. If you are renting your home from someone, you can claim 10 percent of your rent.

Expenses of a home office are generally deductible if the office is used regularly and exclusively either as the owner's principal place of business or as a place for meeting with clients or customers in the normal course of business.

If the owner doesn't meet with clients at home, the office must be the "principal place of business." But that definition is not always clear. In a case before the U.S. Supreme Court, the question is whether a spare bedroom was the principal place of business of an anesthesiologist who worked in three hospitals but used the bedroom to make telephone calls to patients and other doctors and to keep his records.

For those operating exclusively out of their home, however, their home office is without question their principal place of business.

The hardest part of the test for most people is the "exclusivity" requirement. The room or even a portion of the room must be set aside exclusively for the business function. The space cannot be used for other things. If there is a rollaway bed or a television in the room, the IRS might challenge the home-office deduction. If possible, have a separate number for the phone in that room.

Set up a separate bank account, and keep records of all income and expenses pertaining to the home office. Also, keep a detailed calendar or log of meetings with clients and time spent in the office. NB

Tax lawyer Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases.

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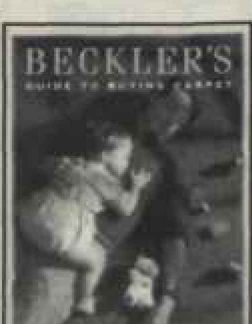

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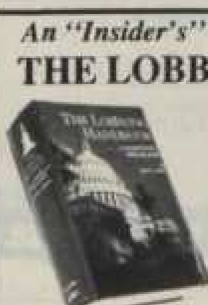

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Editorial

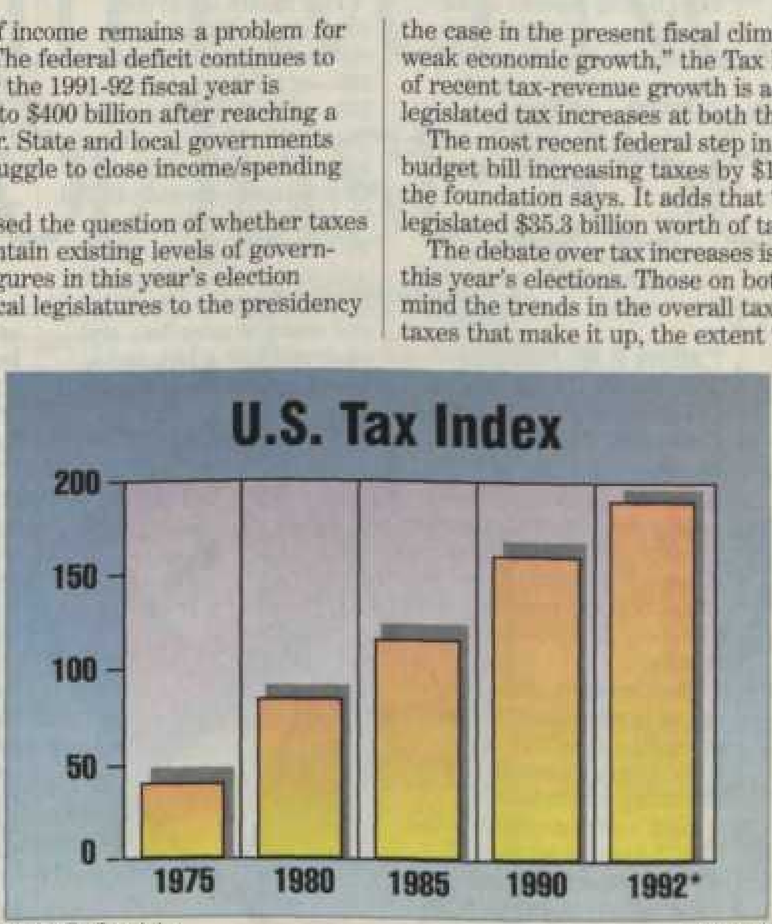
Taxpayers Really Haven't Been Shirking

Outgo persistently ahead of income remains a problem for governments at all levels. The federal deficit continues to soar. The federal deficit for the 1991-92 fiscal year is expected to be $370 billion to $400 billion after reaching a record $269 billion last year. State and local governments throughout the country struggle to close income/spending gaps.

Those problems have raised the question of whether taxes should be increased to maintain existing levels of government services. The issue figures in this year's election campaigns ranging from local legislatures to the presidency of the United States.

The basic tax-increase argument holds that federal tax cuts of the 1980s and successful grass-roots movements against higher taxes at the state and local levels have deprived governments of sufficient revenues to maintain needed services. It is now time to reverse those trends, that argument goes.

But the chart on this page offers a different perspective. It depicts the U.S. Tax Index, which was developed by the nonpartisan Tax Foundation to show trends in tax revenue at the three principal levels of government.



Source: Tax Foundation *Projected

Using 1982 as a base of 100, the chart shows that the index reached a record level of 185 in mid-1992, meaning that total tax collections are now 85 percent higher than they were in 1980. That certainly does not suggest that the tax collector has been suffering acute deprivation over the past decade.

Consider the individual elements of the index: Since 1980, personal income taxes are up 64 percent; taxes on corporate profits, 226 percent; sales and indirect business taxes, 93 percent; contributions for social insurance, 203 percent; and all other taxes, including estate, gift, and personal-property taxes, up 97 percent.

The Tax Foundation points out that the total tax-revenue index rose an average 6.4 percent a year over the past decade, compared with a 2.5 percent average increase in personal income and a 3.9 percent annual average growth in the Consumer Price Index.

And although it can often be said that higher tax revenues stem from economic growth and do not increase individual or company burdens on the same number of dollars, that is not the case in the present fiscal climate. "Because of continued weak economic growth," the Tax Foundation says, "the bulk of recent tax-revenue growth is actually the result of legislated tax increases at both the federal and state levels."

The most recent federal step in that direction was the 1990 budget bill increasing taxes by $164 billion over five years, the foundation says. It adds that "states have collectively legislated $35.3 billion worth of tax increases since 1990."

The debate over tax increases is certain to continue beyond this year's elections. Those on both sides of it should keep in mind the trends in the overall tax index and in the specific taxes that make it up, the extent to which this index has outpaced income and the CPI, and the recent history of stiff tax increases at all levels of government.

Those statistics make a highly persuasive case for turning to the spending side of the ledger for the solution to revenue shortfalls.

At the federal level, it has been obvious for some time that the key to deficit reduction is reining in the open-ended entitlement programs that constitute the fastest-growing component of federal spending. The government must pay these benefits to all who meet current eligibility standards, and total spending must continue to rise to meet those demands. Similar situations exist at the state and local levels.

Entitlement payments are so big and go to so many people that they have become a critical political factor. Fear of ballot-box reprisal remains a roadblock to reform.

But the problem can only be avoided for so long. The sheer weight of the total entitlements bill must eventually overcome political apprehensions about reducing it. There is, after all, little political gain to be realized from the bankruptcy of programs that provide benefits to significant numbers of voters. But these programs are already running well ahead of the ability of the federal government and many state governments to maintain them. They must be addressed within the context of available funds and the tax burden that individuals and businesses already bear.

The trends depicted in the chart above are ample evidence that taxpayers have certainly done their duty. It is now up to public officials to find the courage needed to do theirs. NB

Free-Spirited Enterprise

By Janet L. Willen

Know Before You Grow

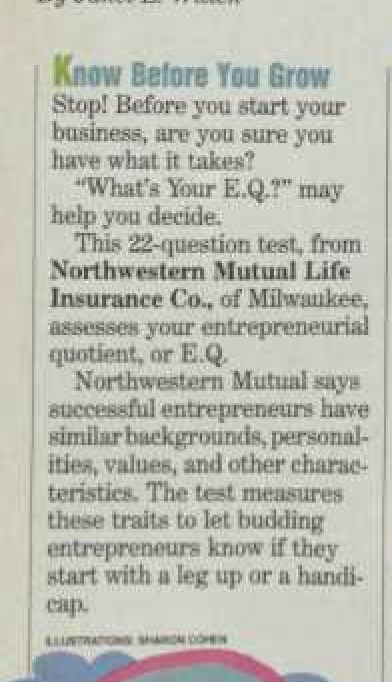
Stop! Before you start your business, are you sure you have what it takes?

"What's Your E.Q.?" may help you decide.

This 22-question test, from **Northwestern Mutual Life Insurance Co.,** of Milwaukee, assesses your entrepreneurial quotient, or E.Q.

Northwestern Mutual says successful entrepreneurs have similar backgrounds, personalities, values, and other characteristics. The test measures these traits to let budding entrepreneurs know if they start with a leg up or a handicap.

ILLUSTRATIONS: SHARON COHEN



"What's Your E.Q.?" is available from Northwestern Mutual Life Insurance Co., P.O. Box 1913, Milwaukee, Wis. 53202. Include $3 for printing, handling, and shipping.

Different Strokes For Different Folks

Logitech Inc., a computer accessory and software manufacturer in Fremont, Calif., says there's a gender gap when it comes to computers.

In the company's PCs and People Poll, 84 percent of the women surveyed said computers are fun to use, compared with 74 percent of the men. Logitech reports that women are more fearful than men when learning to use computers, by 48 percent to 26 percent. But 82 percent of the women say computers have made their jobs easier, and 84 percent say they've made them more satisfying, compared with 67 percent and 75 percent of the men, respectively.

ADF Research, a national marketing research firm in San Rafael, Calif., conducted the research.

Putting It All Together

Most People Use The Same Old Excuses For Not Getting Organized. That pamphlet—yes, that's the title—by Lisa Kanarek, founder of the consulting firm **Everything's Organized**, tells *Everything You Always Wanted To Know About Organization But Were Too Busy To Ask*—that's the subtitle.

The pamphlet gives pointers on organizing the office, using time, handling paperwork, filing, traveling, and determining productivity.

Here's a tip most offices can use: "Limit the number of memos you send. If the same information can be conveyed in a phone call, make the call instead."

Kroy Inc., an office-products manufacturer in Scottsdale, Ariz., publishes and distributes the booklet.

To receive a copy, call 1-800-733-5769.

Old And Rare

Does "limited number" sell? **Courvoisier Cognac** must think so.

This month the French company is offering U.S. customers a limited number—195—of the limited number—595—of bottles of Courvoisier Succession J.L. cognac in existence. Each 750-milliliter bottle costs approximately $3,750. That's $170 a snifter. Each bottle is hand-blown, sealed with an 18-carat gold medallion, packaged in a mahogany and ebony wooden box, and equipped with a lock and a secret compartment for the

key. Certificates of appraisal and authenticity inscribed on handcrafted paper accompany each package.

Courvoisier says the wine was distilled at the beginning of the century in the heart of the Charente Valley's Grande Champagne district in France and passed down through generations of a family known only by the initials J.L. Succession J.L. is made of the nearly extinct *folle blanche* grape.

Courvoisier is imported and marketed in the U.S. by Hiram Walker & Sons of Detroit.

The Old Ball Game

An all-American limited edition adorned the cover of the summer catalog from **Hammacher Schlemmer & Co. Inc.**—the all-wool, size-44 pinstripe top to Gary Cooper's "Pride of the Yankees" uniform.

The replica of Lou Gehrig's renowned No. 4 is a consignment item in the collection of baseball memorabilia available from the venerable Chicago mail-order house and department store.

Hammacher Schlemmer may be best-known for its high-tech novelty items, like instant thermometers, Rolodex computers, and sports radar guns, but the company says baseball memories sell year-round.

Other testaments to the boys of summer are balls signed by the 11 living players who have hit 500 or more home runs ($599); Louisville Slugger bats signed by Ted Williams ($1,500); and a photo display of Willie Mays, on top, completing the swing, and below, making his famous basket catch ($149.95 unframed; $249.95 framed).

Hammacher Schlemmer also sells football and boxing memorabilia. But Raymond Berger, vice president of merchandising, says baseball memories are its biggest sellers.

Fans, take note: The "Pride of the Yankees" top is still available. Cost: $125,000. For more information, call 1-800-543-3366.

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It doesn't take much. A slight delay. Or a missed shipment. Suddenly, your business has lost something you can't replace. Your reputation. Which is why so many successful businesses depend on Toyota Trucks. If ever there was a pickup designed to work overtime, this is it. Starting with standard features like a 2.4-liter EFI engine, 5-speed manual transmission and a miserly reputation at the gas pump. Tough jobs? This truck can haul up to 1,895 lbs.* and tow 3,500 lbs.** And of course, there's always Toyota's heritage of dependability. All of which makes buying a Toyota one of the most reliable business decisions you can make. Call 1-800-552-FLEET for more information.
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*Including occupants, equipment and cargo for Standard Bed Deluxe; 1,280 lbs. for Standard Bed. **Not to exceed a GCWR of 6,500 lbs. Requires additional 3,500-lb. frame-mounted weight-carrying Class II tow hitch. Buckle Up! Do it for those who love you. © 1992 Toyota Motor Sales, U.S.A., Inc.

U.S. CHAMBER OF COMMERCE

The Business Advocate

SUPPLEMENT TO Nation's Business OCTOBER 1992

Why The Chamber Backs FREE TRADE PACT

U.S. Trade Representative Carla A. Hills and EPA Administrator William K. Reilly conduct a briefing at the U.S. Chamber.

The free-trade agreement signed recently by officials of the U.S., Mexico, and Canada will create new opportunities for American

(Continued on Page 93)

Recommendations for House, Senate, Page 84.

ENDORSEMENT REPORT

Education Poll

Job Skills Have Declined, Firms Say

Students were better prepared for the workplace five years ago, employer poll indicates.

Respondents to the August Business Ballot poll conducted by the U.S. Chamber of Commerce echoed what many education critics and business people have been saying for some time: Today's education system is not preparing students well for the workplace.

Asked how job applicants today compare with those of five years ago in skills such as reading, self-discipline, comprehension, and communication, 52 percent of respondents said today's applicants compare less favorably. Only 13 percent said current job seekers are better prepared.

The other 35 percent said there is no difference between today's applicants and those of five years ago.

Fifty-four percent of the respondents said they have to provide more training in basic skills to entry-level employees today than they did five years ago, while 42 percent said they have to provide the same amount of training. Four percent said they provide less training. In addition, 62 percent said today's entry-level workers have either decreased their companies' productivity and quality and/or have caused their firms to spend more for training.

Nearly 27 percent said new workers have had no effect—either positively or negatively—on productivity and quality; 11 percent said today's entry-level employees have improved their companies' productivity and quality.

In the Chamber's June Business Ballot poll on public-policy questions, the majority of respondents said they would like the federal government to look more closely at the economic consequences of its environmental policies.

For example, 75 percent said the government should consider the effect on the economy of adding plant and animal species to the endangered-species list.

The Endangered Species Act protects plants and animals on that list, usually by limiting land use. Thousands of forest-industry employees have been idled, for instance, because the protected northern spotted owl lives in prime timber areas of the Pacific Northwest.

The majority of respondents—57 percent—also said federal rules defining wetlands, which affect land use, should be less stringent for private property than for public lands. Thirty-four percent said wetlands rules should be equally stringent for private and public property, and 9 percent were undecided.

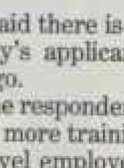
Business people seem less certain, though, about U.S. actions to curb so-called global warming. Forty-two percent of respondents said they believe current scientific evidence justifies moves to eliminate gases that some scientists say cause the warming. Thirty-eight percent said action is not warranted, and 20 percent were undecided.

Be sure to respond to this month's Business Ballot enclosed in the polybag with Nation's Business *and* The Business Advocate. *Poll results are sent to Congress, the administration, and the national media. Also, for an update on education reform efforts, see* America's Schools, *a special supplement to this month's* Nation's Business.

Economic Dip

Business optimism about the U.S. economy dropped from June to August, according to the latest Business Ballot poll conducted by the U.S. Chamber of Commerce.

The August poll of U.S. Chamber members showed that 37.7 percent of respondents said they believe the economy is headed up over the next six months. This level is the lowest since December 1991, when only 17.6 percent of respondents expected the economy to improve.



In June, 54.4 percent of respondents expected improvement in the economy.

Meanwhile, respondents' outlook for improvement in their own companies' sales over the next six months dipped just slightly—to 48.5 percent in August from 49.8 percent in June.

Worker-hiring plans were mixed. While 24.1 percent said they would add jobs during the next six months—up from 23.5 percent in the previous poll—nearly 17 percent expected to cut employment, a 4 percentage point increase over June. Fifty-nine percent expected no change in employment.

The business confidence index, a combined measure of businesses' six-month outlook on the economy, sales, and employment, was 58, its lowest level since December 1991, when it was 39.3. An index of 50 means the number of businesses expecting increases in the three areas is equal to the number expecting decreases.

The index had reached 64.2 in the June ballot.

"The poll results ... reflect the continuing inability of the economy to rise from the recession," says Lawrence A. Hunter, vice president and chief economist for the U.S. Chamber. "We expect the situation to continue at least through the end of the year, with little improvement next year and the distinct possibility that things will get worse."

■ Election '92

Turnover In Congress Likely To Be Extensive

The Nov. 3 elections offer an important opportunity for you to affect the way the new Congress will deal with the critical issues facing the nation.

The Nov. 3 congressional elections promise to produce the most sweeping turn-over in the U.S. House of Representatives since 1948.

In that year, 118 seats in the 435-seat House changed hands. This year estimates of seats likely to turn over range from 120 to 140.

As of mid-September, 87 seats were definitely set for change: Fifty-two representatives had announced their plans to retire, 17 had been defeated in primaries, 13 were running for other political offices, and five other races affected by redistricting pitted incumbents against incumbents.

In the Senate, where 35 of the 100 seats are up for election, as many as 15 are expected to turn over, says Ted Maness, the U.S. Chamber of Commerce's liaison with the Senate.

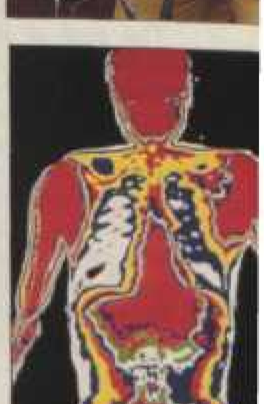
"The bottom line is that voters can have a major impact on the kind of change that takes place as a result of the congressional elections this year," according to William T. Archey, senior vice president/policy and congressional affairs for the U.S. Chamber. "Businessmen and businesswomen need to assess carefully the various candidates and whether a particular candidate will be responsive to business interests and concerns."

The U.S. Chamber has been heavily involved in political activity through a host of meetings with candidates for congressional offices. These meetings enabled Chamber members and staff specialists to become more familiar with the candidates and their positions on business-related issues.

According to Christine Russell, the Chamber's liaison with the House, "no matter who the candidates are or where they're from, virtually all have said the issues their constituents care most about are the same—the economy, health care, and education."

Since April, the Chamber's election-related activities have also included urging business people to encourage their employees to go to the polls Nov. 3.

Through August, the Chamber had received hundreds of requests from business people for voting materials, including posters and payroll inserts reminding workers to vote. The organization had distributed more than 10,500 posters and 120,000 inserts during its get-out-the-vote campaign.



PHOTOS: CLOCKWISE FROM UPPER LEFT: [illegible]—THE STOCK MARKET; [illegible]—THE STOCK MARKET; [illegible]—THE STOCK MARKET; [illegible]—THE STOCK MARKET; [illegible]—POLO, INC.

■ Election '92

1992
U.S. CHAMBER
OF COMMERCE

ENDORSEMENT REPORT

FOR U.S. HOUSE AND SENATE

The board of directors of the U.S. Chamber of Commerce has voted to endorse the candidates listed on the next two pages for the U.S. House and Senate.

All U.S. Chamber endorsements represent opportunities for business to improve the composition of Congress by helping to:

■ Re-elect pro-business incumbents.

■ Elect nonincumbents who share the business viewpoint on legislative issues.

The goal of the Chamber's public affairs program, including its endorsements, is to improve the composition of Congress by helping to elect candidates, regardless of party, who will support business-community objectives. These objectives include:

■ Reducing the dominating role of government in business affairs and in citizens' private lives.

■ Restoring the economic freedom and vitality that will allow the private-enterprise system to function in the best interests of all Americans.

There are three categories for endorsement used by the Chamber. First, incumbents who have at least a 70 percent cumulative Chamber rating in voting on business issues are eligible for endorsement, contingent upon their having the support of the U.S. Chamber's membership and the support of the local business community.

Those incumbents who face potentially strong competition are noted as "protect" situations.

Second, candidates for open seats are eligible for endorsement if they can be expected to vote with the Chamber at least 70 percent of the time, do not face strong competition, and have the local business community's support.

Third, in races where the incumbent's rating is below 70 percent, or where no incumbent is running for re-election, the Chamber applies its three traditional criteria in making an endorsement:

■ The race is expected to be close.

■ There is a clear philosophical difference between the candidates on business issues, with one candidate

Key To Listings

State/District/Incumbent

States are listed alphabetically. Under each state heading, Senate races are listed first, and House races follow in numerical order by congressional district.

Chamber Cumulative Rating

This is a senator's or representative's cumulative percentage of business-advocated votes among a total number of votes cast on Chamber-selected issues since the business federation began rating members of Congress in 1965, or since the member was elected subsequently, through 1991. Ratings were taken from "How They Voted," published in the February issue of *The Business Advocate.*

STATE		CUM %
ALABAMA		
SEN	Re-elect Richard Shelby (D)	62
1	Re-elect Sonny Callahan (R)	90
ALASKA		
SEN	Protect/Re-elect Frank Murkowski (R)	78
AL	Protect/Re-elect Don Young (R)	66
ARIZONA		
SEN	Protect/Re-elect John McCain (R)	83
1	Re-elect John J. Rhodes III (R)	90
3	Re-elect Bob Stump (R)	89
4	Re-elect Jon L. Kyl (R)	92
5	Re-elect Jim Kolbe (R)	93
ARKANSAS		
3	Open/Elect Tim Hutchinson(R)	N/A
CALIFORNIA		
SEN	Protect/Re-elect John Seymour (R)	100
SEN	Open/Elect Bruce Herschensohn (R)	N/A
1	Re-elect Frank Riggs (R)	90
2	Re-elect Wally Herger (R)	92
4	Re-elect John T. Doolittle (R)	78
6	Open/Elect Bill Filante (R)	N/A
10	Open/Elect Bill Baker (R)	N/A
11	Open/Elect Richard Pombo (R)	N/A
14	Open/Elect Tom Huening (R)	N/A
19	Elect Tal Cloud (R)*	N/A
21	Re-elect William M. Thomas (R)	92
23	Re-elect Elton Gallegly (R)	95
24	Elect Tom McClintock (R)*	N/A
25	Open/Elect Buck McKeon (R)	N/A
27	Re-elect Carlos J. Moorhead (R)	90
28	Re-elect David Dreier (R)	92
36	Open/Elect Joan Milke-Flores (R)	N/A
39	Open/Elect Ed Royce (R)	N/A
40	Re-elect Jerry Lewis (R)	80
41	Open/Elect Jay Kim (R)	N/A
42	Elect Dick Rutan (R)*	N/A
43	Open/Elect Ken Calvert (R)	N/A
44	Re-elect Alfred A. McCandless (R)	89
45	Re-elect Dana Rohrabacher (R)	88
46	Re-elect Robert K. Dornan (R)	86
47	Re-elect Christopher C. Cox (R)	75

sharing the business viewpoint.

■ The business-oriented candidate has the local business community's support.

All endorsed candidates were selected after careful examination of their voting records and the views of political experts inside and outside the Chamber. The Chamber sought input from a great variety of sources, and no individual exercised undue influence.

In weighing its approach to elections, business faces these critical challenges: to become even more active in politics and to elect leaders who will advance the nation's economic interests. The purpose of these endorsements is to help business meet these challenges. For more information about these endorsements or the Chamber's public affairs program, call Marc Leger or Greg Wilson at (202) 463-5600.

STATE		CUM %
48	Re-elect Ron Packard (R)	90
51	Re-elect Duke Cunningham (R)	90
52	Re-elect Duncan Hunter (R)	85
COLORADO		
SEN	Open/Elect Terry Considine (R)	N/A
3	Open/Elect Scott McInnis (R)	N/A
4	Re-elect Wayne Allard (R)	100
5	Re-elect Joel Hefley (R)	93
6	Re-elect Dan Schaefer (R)	83
CONNECTICUT		
3	Elect Tom Scott (R)*	N/A
5	Protect/Re-elect Gary Franks (R)	100
6	Re-elect Nancy L. Johnson (R)	64
DELAWARE		
AL	Open/Elect Mike Castle (R)	N/A
FLORIDA		
1	Re-elect Earl Hutto (D)	76
6	Re-elect Cliff Stearns (R)	79
8	Re-elect Bill McCollum (R)	87
9	Re-elect Michael Bilirakis (R)	82
10	Re-elect C.W. Bill Young (R)	79
14	Re-elect Porter J. Goss (R)	88
16	Re-elect Tom Lewis (R)	85
22	Re-elect E. Clay Shaw Jr. (R)	84
GEORGIA		
3	Re-elect Richard Ray (D)	74

STATE		CUM %
5	Elect Steve Buyer (R)*	N/A
6	Re-elect Dan Burton (R)	87
7	Re-elect John T. Myers (R)	79
8	Elect Richard Mourdock (R)*	N/A
IOWA		
SEN	Re-elect Charles E. Grassley (R)	77
2	Protect/Re-elect Jim Nussle (R)	90
3	Protect/Re-elect Jim Lightfoot (R)	89
5	Re-elect Fred Grandy (R)	89
KANSAS		
SEN	Re-elect Bob Dole (R)	84
1	Re-elect Pat Roberts (R)	91
3	Re-elect Jan Meyers (R)	81
KENTUCKY		
1	Open/Elect Steve Hamrick (R)	N/A
3	Elect Susan Stokes (R)*	N/A
4	Protect/Re-elect Jim Bunning (R)	92
5	Protect/Re-elect Harold Rogers (R)	80
LOUISIANA		
1	Re-elect Bob Livingston (R)	87
3	Re-elect W.J. (Billy) Tauzin (D)	71
5	Re-elect Jim McCrery (R)	91
5	Re-elect Jerry Huckaby (D)	73
6	Re-elect Richard H. Baker (R)	95
6	Re-elect Clyde C. Holloway (R)	89
MAINE		
2	Protect/Re-elect Olympia Snowe (R)	66

6	Re-elect Newt Gingrich (R)	87
IDAHO		
SEN	Open/Elect Dirk Kempthorne (R)	N/A
2	Open/Elect Mike Crapo (R)	N/A
ILLINOIS		
SEN	Open/Elect Richard Williamson (R)	N/A
2	Open/Elect Mel Reynolds (D)	N/A
6	Re-elect Henry Hyde (R)	86
8	Re-elect Philip Crane (R)	88
10	Re-elect John Porter (R)	86
13	Re-elect Harris W. Fawell (R)	95
14	Re-elect Dennis J. Hastert (R)	90
15	Re-elect Tom Ewing (R)	100
18	Re-elect Robert Michel (R)	89
20	Elect John Shimkus (R)*	N/A
INDIANA		
SEN	Protect/Re-elect Dan Coats (R)	86

MARYLAND		
1	Protect/Re-elect Wayne T. Gilchrest (R)	90
2	Re-elect Helen Delich Bentley (R)	71
5	Elect Larry Hogan Jr. (R)*	N/A
6	Open/Elect Roscoe Bartlett (R)	N/A
MICHIGAN		
3	Re-elect Paul B. Henry (R)	83
4	Re-elect David Camp (R)	100
5	Open/Elect Jim Barcia (D)	N/A
6	Re-elect Frederick S. Upton (R)	95

Other Races

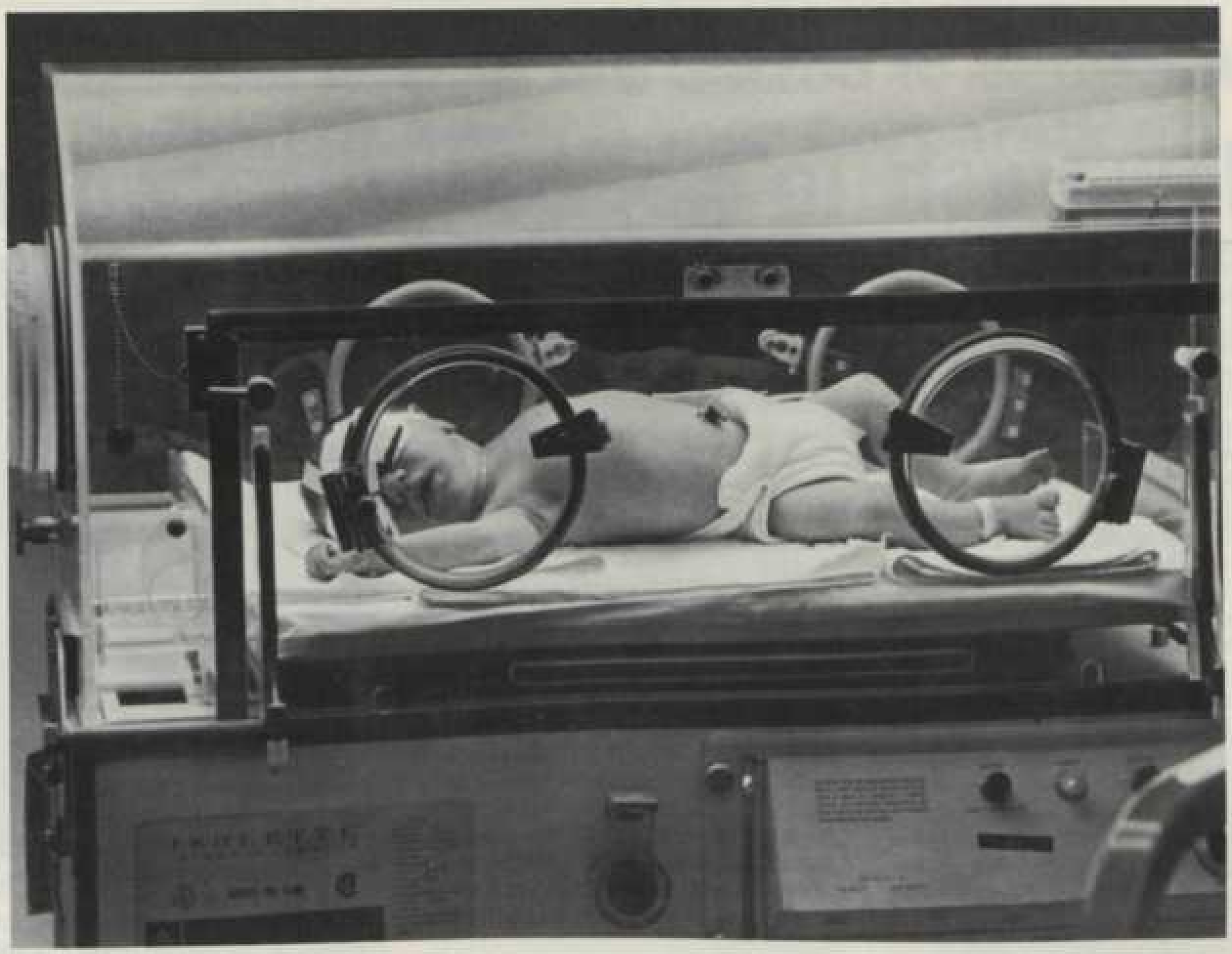
Additional endorsements will be made as races qualify. For updates and new endorsements, contact Marc Leger or Greg Wilson at (202) 463-5600.

STATE		CUM %
MINNESOTA		
2	Open/Elect Cal Ludeman (R)	N/A
3	Re-elect Jim Ramstad (R)	80
6	Elect Rod Grams (R)*	N/A
MISSISSIPPI		
3	Re-elect G.V. (Sonny) Montgomery (D)	80
4	Re-elect Mike Parker (D)	85
5	Re-elect Gene Taylor (D)	71
MISSOURI		
SEN	Re-elect Christopher S. Bond (R)	80
6	Protect/Re-elect Tom Coleman (R)	77
7	Protect/Re-elect Mel Hancock (R)	85
8	Re-elect Bill Emerson (R)	84
MONTANA		
AL	Protect/Re-elect Ron Marlenee (R)	80
NEBRASKA		
1	Re-elect Doug Bereuter (R)	84
2	Elect Ron Staskiewicz (R)*	N/A
3	Re-elect Bill Barrett (R)	90
NEVADA		
2	Re-elect Barbara F. Vucanovich (R)	86
NEW HAMPSHIRE		
1	Protect/Re-elect Bill Zeliff (R)	100
NEW JERSEY		
3	Re-elect Jim Saxton (R)	77
5	Re-elect Marge Roukema (R)	74
6	Elect Joseph Kyrillos (R)*	N/A
8	Open/Elect Joseph Bubba (R)	N/A
11	Re-elect Dean A. Gallo (R)	75
12	Re-elect Dick Zimmer (R)	70
13	Open/Elect Robert Menendez (D)	N/A
NEW MEXICO		
1	Re-elect Steven H. Schiff (R)	79
2	Re-elect Joe Skeen (R)	83
NEW YORK		
14	Re-elect Susan Molinari (R)	63
24	Re-elect Gerald B.H. Solomon (R)	80
27	Re-elect James T. Walsh (R)	70
31	Re-elect Bill Paxon (R)	88
34	Re-elect Amo Houghton (R)	79
NORTH CAROLINA		
SEN	Elect Lauch Faircloth (R)*	N/A
6	Re-elect Howard Coble (R)	92
9	Re-elect Alex J. McMillan (R)	95
10	Re-elect Cass Ballenger (R)	94
11	Protect/Re-elect Charles H. Taylor (R)	90
NORTH DAKOTA		
SEN	Open/Elect Steve Sydness (R)	N/A
AL	Open/Elect John Korsmo (R)	N/A
OHIO		
SEN	Elect Mike DeWine (R)*	N/A
2	Re-elect Willis D. Gradison Jr. (R)	82
4	Re-elect Michael G. Oxley (R)	92
5	Re-elect Paul E. Gillmor (R)	74
6	Protect/Re-elect Bob McEwen (R)	87
7	Re-elect David L. Hobson (R)	80
8	Re-elect John A. Boehner (R)	100
10	Elect Martin Hoke (R)*	N/A
12	Re-elect John R. Kasich (R)	88
13	Open/Elect Margaret Mueller (R)	N/A
15	Open/Elect Debra Pryce (R)	N/A
16	Re-elect Ralph Regula (R)	72
19	Open/Elect Robert Gardner (R)	N/A
OKLAHOMA		
SEN	Re-elect Don Nickles (R)	88
1	Re-elect James M. Inhofe (R)	92

U.S. Chamber endorsements represent opportunities for business to improve the composition of Congress.

STATE		CUM %
OREGON		
1	Open/Elect Tony Meeker (R)	N/A
2	Re-elect Robert F. Smith (R)	89
PENNSYLVANIA		
SEN	Protect/Re-elect Arlen Specter (R)	53
3	Elect Charles Dougherty (R)*	N/A
5	Re-elect William F. Clinger Jr. (R)	75
6	Open/Elect John E. Jones (R)	N/A
7	Re-elect Curt Weldon (R)	72
8	Elect James Greenwood (R)*	N/A
9	Re-elect Bud Shuster (R)	86
13	Open/Elect Jon D. Fox (R)	N/A
15	Protect/Re-elect Don Ritter (R)	82
16	Re-elect Robert S. Walker (R)	85
17	Re-elect George W. Gekas (R)	86
18	Protect/Re-elect Rick Santorum (R)	80
19	Protect/Re-elect William F. Goodling (R)	76
21	Re-elect Thomas J. Ridge (R)	70
RHODE ISLAND		
1	Protect/Re-elect Ron Machtley (R)	62
SOUTH CAROLINA		
1	Re-elect Arthur Ravenel Jr. (R)	79
2	Re-elect Floyd Spence (R)	84
TENNESSEE		
1	Re-elect James H. Quillen (R)	83
2	Re-elect John J. Duncan Jr. (R)	82
7	Re-elect Don Sundquist (R)	83
TEXAS		
2	Elect Donna Peterson (R)*	N/A
3	Re-elect Sam Johnson (R)	100
4	Re-elect Ralph Hall (D)	70
6	Re-elect Joe Barton (R)	92
7	Re-elect Bill Archer (R)	92
8	Re-elect Jack Fields (R)	91
12	Re-elect Pete Geren (D)	77
13	Re-elect Bill Sarpalius (D)	79
14	Re-elect Greg Laughlin (D)	71
17	Re-elect Charles W. Stenholm (D)	80
19	Re-elect Larry Combest (R)	90
21	Re-elect Lamar S. Smith (R)	89
22	Re-elect Tom DeLay (R)	92
23	Elect Henry Bonilla (R)*	N/A
26	Re-elect Richard K. Armey (R)	97
UTAH		
1	Re-elect James V. Hansen (R)	90
VIRGINIA		
1	Re-elect Herbert H. Bateman (R)	83
5	Re-elect Lewis F. Payne Jr (D)	70
6	Re-elect Thomas J. Bliley Jr (R)	92
10	Re-elect Frank Wolf (R)	78
11	Open/Elect Henry Butler (R)	N/A
WASHINGTON		
SEN	Open/Elect Rod Chandler (R)	N/A
3	Elect Pat Fiske (R)*	N/A
WISCONSIN		
SEN	Protect/Re-elect Robert W. Kasten Jr. (R)	78
2	Protect/Re-elect Scott L. Klug (R)	80
3	Re-elect Steve Gunderson (R)	79
6	Protect/Re-elect Thomas E. Petri (R)	74
8	Re-elect Toby Roth (R)	82
9	Re-elect James F. Sensenbrenner Jr (R)	81
WYOMING		
AL	Re-elect Craig Thomas (R)	97

* Races in which Chamber is endorsing a challenger over an incumbent.



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In fact, many medical plans don't pay for the checkups, tests, and other measures that would help participants stay healthy. They only provide benefits once a participant has become sick.

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To find out more, write: New Approaches to Health Care, The Prudential, 751 Broad Street, 16th Fl., Newark, N.J. 07102-3777.

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Business Costs

New Push To Reduce Paperwork

New efforts in Congress to reauthorize the Paperwork Reduction Act could save employers significant amounts of time and money.

The moves, under way in the Senate and the House in September, had the strong backing of the U.S. Chamber of Commerce.

They were being led by Sen. Sam Nunn, D-Ga., and Rep. Frank Horton, R-N.Y., whose efforts to limit government-required paperwork earlier in the congressional session had been stalled.

In addition to working for passage of the reauthorization measures, the Chamber was asking its members to contact Nunn and Horton to thank them for their efforts on the issue.

Rep. Horton introduced the House measure.

Federal paperwork costs the nation more than $250 billion a year, according to the business federation, which says that much of the paperwork is duplicative and unnecessary. According to several studies on federal regulations, reauthorization of the 1980 act could save the economy more than $6 billion a year.

The paperwork statute was adopted in 1980 and expired in 1989. The Chamber has been working vigorously since then to get the law reauthorized.

The act created the Office of Information and Regulatory Affairs (OIRA) to review federal agencies' regulations and paperwork requests to determine their projected costs and benefits.

Under the law, OIRA could require agencies to rewrite proposed rules that it determined would adversely affect small businesses. But without reauthorization and without an administrator, OIRA has been largely ineffective.

Nunn's five-year reauthorization measure, in addition to re-empowering OIRA, calls for a 5 percent annual reduction in government paperwork and would strengthen OIRA's ability to ensure that regulatory agencies comply with the paperwork law. Horton's bill, while less comprehensive, would also benefit business.

The Nunn bill would reverse a 1990 U.S. Supreme Court decision that said OIRA had authority to control agency requests for the public to disclose information to the federal government only, not to third parties, such as police and fire departments. That ruling effectively cut OIRA's paperwork jurisdiction by one-third, according to the law's proponents.

Sen. Nunn leads the effort in the Senate.

To thank Sen. Sam Nunn and Rep. Frank Horton for their efforts to reduce government-required paperwork, write Nunn at the U.S. Senate, Washington, D.C., 20510, and Horton at the U.S. House of Representatives, Washington, D.C. 20515. Also, write your own senators and representative at the same addresses and urge them to support reauthorization of the Paperwork Reduction Act.

Regional Meetings

You Can Help Set The Agenda

Members of the U.S. Chamber of Commerce will gather at five regional meetings in October to recommend 1993 legislative priorities for the organization.

Recommendations from the five meetings will help shape the National Business Agenda, which will drive the Chamber's legislative strategy next year. The agenda will be presented to members of Congress and the president early in 1993, and concerted efforts by Chamber members and staff members to educate lawmakers on the priority issues will follow.

The Chamber is viewing the projected high turnover of congressional seats in the Nov. 3 elections as an unusual opportunity for business to make important inroads with its federal legislative priorities. Chamber leaders believe the organization can be particularly influential in educating new members of Congress on business-related issues. The Chamber is expected to move aggressively on its 1993 priorities when the 103rd Congress convenes in January.

For regional meeting registration information, call one of the following regional offices:

- **Southern**—Harry L. Cowan, manager, (214) 387-0404.
- **Western**—Meg Jacobsen, manager, (415) 348-4011.
- **Central**—Mark F. Pufundt, manager, (708) 574-7918.
- **Eastern**—Steven E. Woolley, manager, (212) 370-1440.

In Washington, D.C., call Donald J. Kroes at (202) 463-5406; Hugh McCahey at (202) 463-5560; or Billy P. Mitchell at (202) 463-5580.

What Will You Do When Your Personal Assets Are Seized to Satisfy A Judgment Against Your Corporation?

All your many tax benefits of owning a corporation could be wiped out overnight. How? The I.R.S. could visit you and claim you have not kept proper corporate minutes. You could lose the very tax benefits to which the law entitles you.

Here are some recent "horror stories" direct from actual court cases:

Joseph P. obtained a loan from his corporation without the proper loan documents and corporate minutes. As a result, the court required him to pay additional taxes of $27,111.60. He narrowly escaped a penalty of $13,555.80.

B.W.C., Inc. was forced to pay $106,358.61 of accumulated earnings tax because its corporate minutes were incomplete. They expressed "no specific, definite, or feasible plans" to justify accumulating earnings, according to the court.

Keeping records has always been a bother, and an expensive one, especially for small companies. Most entrepreneurs do not like to spend time keeping records. Probably because no one ever became rich by keeping records. And in a small, one-person business, it seems downright silly to keep records of stockholder meetings and board of directors meetings...keeping minutes...taking votes...adopting resolutions...isn't it all just a waste of time?

Not if you ask any of the thousands of entrepreneurs who have lost fortunes because they failed to keep records. You should look at corporate recordkeeping chores this way: *It's part of the price you pay to get the tax benefits and personal protection from having a corporation.*

A corporation does not exist except on paper, through its charter, by-laws, stock certificates, resolutions, etc. Anything you do as an officer or director has to be duly authorized and evidenced by a resolution of the stockholders or the board, or by both in some cases. It makes no difference if there is only one stockholder or one million stockholders. The rules are basically the same.

You can hire a lawyer, like the big companies do, and pay $100 or more just to prepare one form. But you may need, at minimum, a dozen or more documents to keep your corporation alive and functioning for just one year. This type of work is the bread and butter for many corporation lawyers. Most of the work can be done by their secretaries, yet they will charge you enormous sums because they know how important these forms are.

There is now a way for you to solve your corporate recordkeeping problems. Without a lawyer, without paying big fees, and without spending a lot of time. Virtually all the forms you will ever need are already compiled in **The Complete Book of Corporate Forms** by Ted Nicholas. Nicholas also publishes the highly popular special report, *How an "S" Corporation Can Save You Tax.* Written by Joseph Oliver, CPA, this report details how an "S" Corporation—one of the most underused tax avoidance methods—can save you literally thousands of tax dollars each year.

But forming a corporation is only the first step toward building "the ultimate tax shelter." Through carelessness or neglect, many people are denied their rightful benefits from owning their own corporation. Ted Nicholas saw that many business owners needed more help *after* they incorporated.

And so, he prepared **The Complete Book of Corporate Forms**. Everything is simplified. Either you or your secretary can complete any form in minutes. All you do is fill in a few blanks and insert the completed form in your record book. When you own this book, you are granted permission to reproduce every form. If you are behind on keeping your corporate records, now you can catch up in no time. Just complete a few blanks for the things you've already done in the company. It's legal and it works. Best of all, the price is less than you would pay a lawyer for one hour of counseling.

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Minutes of Directors Meetings
Minutes of Special Meetings
(Any of these can be used if you are the only stockholder and director.)
Amendments to Articles of Incorporation
Amendments to By-Laws

You will also receive all the stockholder and directors resolutions you will need including:

• Negotiations of contracts • Authorizing loans to corporation • Approval of corporate loans to you • Designation of purchasing agent *(some suppliers may want to know who is authorized to buy from them)* • Setting your salary • Directors fees • Authorizing your expense account • Mergers • Sale of corporate assets • Dissolution • Bankruptcy • Declaring dividends • Appointment of attorney or accountant

Plus, you'll receive the forms needed to authorize any of these tax-saving fringe benefits:

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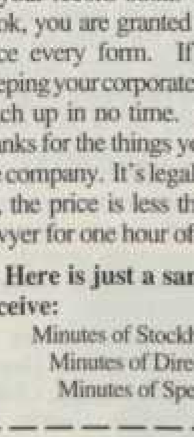

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■ Taxes

Bush Seeks Capital-Gains Indexation

President Bush says he will push for a capital-gains tax cut and for the indexing of capital gains for inflation as part of his plan to boost the economy.

Bush's announcement in a September speech to the Detroit Economic Club followed by eight days the administration's response to a detailed study saying the president has the authority to index capital gains and depreciation deductions administratively.

In responding to the study, White House spokesman Marlin Fitzwater said, "the president believes that such indexing of cost would be sound economic policy and would be sound as a matter of fairness." However, the Justice Department said such an administrative action would be illegal.

In his Detroit speech, Bush indicated

Economist Hunter explains value of indexing.

he would push for the change legislatively. The analysis that prompted the administration's response was issued jointly by the National Chamber Foundation, an affiliate of the U.S. Chamber of Commerce, and the National Taxpayers Union Foundation, a research affiliate of the Washington, D.C.-based National Taxpayers Union.

The 90-page legal memorandum says a presidential order to index capital gains "would be upheld judicially," based on a review of key Supreme Court cases.

Indexing Capital Gains

Projected Effects Of Indexing Capital Gains For Inflation

Calendar Year	Increase In GDP (In Billions*)	Increase In Jobs	Increase In Real Assets (In Billions*)
1992	$ 11.7	22,000	$ 116.7
1993	44.9	95,000	435.0
1994	91.4	224,000	857.3
1995	139.3	377,000	1,270.6
1996	185.7	542,000	1,649.7
1997	226.2	689,000	1,958.8
1998	260.4	805,000	2,204.0
1999	292.4	880,000	2,434.3
2000	323.4	938,000	2,653.4

*These calculations assume an average annual inflation rate of 3.4 percent.

Source: Fiscal Associates, Inc., Aug. 24, 1992

Indexing of capital gains involves adjusting the basis of an asset, such as real estate or stocks, for inflation before calculating the profit from selling it. Indexing is not a rate cut. It simply removes inflationary gains as a source of taxation.

Supporters of indexing have urged the White House for months to move forward with indexing, which many economists say would boost economic growth. But the administration had been uncertain about its authority to do so.

The study's principal authors are former officials in the Justice Department's Office of Legal Counsel, Charles J. Cooper and Michael A. Carvin. The two are now with the Washington office of the law firm Shaw, Pittman, Potts & Trowbridge.

While at Justice, Cooper wrote the Office of Legal Counsel's opinion concluding that the president does not have inherent authority to veto line items in appropriations bills.

In a separate study released in conjunction with the legal memorandum, two former U.S. Treasury Department economists, Gary and Aldonna Robbins of Fiscal Associates, Inc., in Arlington, Va., found that such action would have an immediate positive effect.

Their study, titled "Economic and Revenue Effects of Indexing Capital Gains and Depreciation 'Basis' for Inflation," projects that indexing would create 938,000 jobs and boost the U.S. gross domestic product by $323.4 billion by the year 2000. Their estimates assume an average annual inflation rate of 3.4 percent.

"Without indexing, the effective capital-gains tax rate on middle-class taxpayers often exceeds 100 percent. That's unfair," according to David Keating, president of the National Taxpayers Union Foundation.

Lawrence Hunter, vice president and chief economist of the U.S. Chamber of Commerce, notes that "indexing the cost basis of assets for capital-gains taxation is not a new concept in taxation. Ordinary income is indexed. And because a capital gain is now treated as ordinary income for tax purposes, extending indexation to capital gains would bring it in line with taxes on salaries and wages." In addition to his Chamber position, Hunter is executive vice president of the National Chamber Foundation.

Hunter also noted that indexing depreciation deductions would be equivalent to a permanent, universal 5 percent investment tax credit, or almost seven times the investment stimulus enacted in 1981 and 1982.

Capital-gains indexing has won support on Capitol Hill in the past. In 1989, it was a component of a bill that passed the House, and it gained the backing of the White House as a compromise to the administration's original capital-gains reduction proposal. While it also had strong support in the Senate, it did not clear that body.

Soviet Aid

Chamber Pushes U.S. Interests

A federal aid package for the former Soviet Union will also benefit U.S. business if the U.S. Chamber of Commerce has its way.

The Chamber was working at press time to get business provisions included in the aid package, which was being completed by a House-Senate conference panel.

The Chamber had been instrumental earlier in getting the provisions included as an amendment to the Senate version of the aid bill. That amendment was sponsored by Sen. Joseph I. Lieberman, D-Conn.

In addition to strengthening U.S. business opportunities generally in the former Soviet republics, now known as the Commonwealth of Independent States (CIS), the provisions would:

- Require the U.S. Department of Commerce to develop programs and projects for U.S. business and commercial development in the former Soviet Union, including special programs to assist small businesses.
- Expand the U.S. Foreign Commercial Service in the CIS, especially through business centers.
- Establish a business/agribusiness advisory council consisting of private-sector leaders to advise the president on programs to assist the CIS.
- Encourage the U.S. Agency for International Development to fund capital projects and the export of industrial and consumer goods to the CIS.
- Authorize commercial and technical assistance through the Overseas Private Investment Corp. (OPIC), the Trade and Development Program (TDP), and the Export-Import Bank in cooperation with U.S. firms to help identify priority sectors in the CIS.
- Call for special support from the Ex-Im Bank, OPIC, and TDP for U.S. business ventures in the CIS.
- Establish an energy-coordinating committee, through the federal Trade Promotion Coordinating Committee, to help the U.S. energy sector develop market strategies for the CIS.

In addition to its work on the amendment, the Chamber helped lead a business coalition supporting the aid bill. The bill includes a $12.3 billion increase in the U.S. commitment to the International Monetary Fund, which makes loans to help nations pay off foreign debts, plus $1.2 billion in direct U.S. aid.

Workplace

OSHA Focus Shifts To Next Year

Legislation to reform the Occupational Safety and Health Act is expected to be a top priority when the new Congress convenes early next year.

The House Education and Labor Committee passed an OSHA-reform bill earlier this year, and the Senate Labor and Human Resources Committee was expected to clear a similar bill before Congress adjourned for 1992. But there was no prospect that the two houses could agree on a single measure before this session's end.

Sen. Howard M. Metzenbaum, D-Ohio, introduced this year's Senate OSHA-reform bill, which will likely serve as the baseline for next year's debate.

Sen. Edward M. Kennedy, D-Mass., a sponsor of the Senate OSHA measure, is typically involved in labor-related issues.

Measures similar to those pending in September are expected to be reintroduced when the 103rd Congress convenes in late January. Those bills, backed strongly by the AFL-CIO, were introduced by Sens. Howard M. Metzenbaum, D-Ohio, and Edward M. Kennedy, D-Mass., and by Rep. William D. Ford, D-Mich., in their respective chambers.

The U.S. Chamber of Commerce has worked for several months to eliminate unnecessary and burdensome provisions in the legislation.

Peter Eide, the Chamber's manager of labor law, says the organization will continue its effort with an eye toward organized labor making a major push for the bill in 1993.

The 1992 OSHA-reform bills introduced in the House and Senate would, among other changes, increase the penalties on those who violate workplace health and safety rules, impose new reporting requirements on employers, and grant employees new powers.

Among the provisions objectionable to the Chamber are those that would:

- Allow employees and their representatives—unions—to challenge as inadequate any citations issued to employers by the Occupational Safety and Health Administration.
- Expand the rights of workers to participate in settlements of contested citations.
- Require that OSHA conduct work-site investigations of anonymous complaints of health and safety violations. Current law requires that employees or their representatives file written complaints with OSHA, detailing alleged violations.
- Allow state and local criminal prosecutions of employers for alleged health and safety violations even though no federal or state OSHA law had been broken. The OSHA statute should pre-empt such prosecutions unless they are brought under a state OSHA plan, says the Chamber.
- Dramatically increase the federal criminal penalties for violations of the safety and health law.

Write your representative and senators after the Nov. 3 elections at their district and state offices, respectively.

Let them know you are concerned about the OSHA legislation introduced in 1992 and that you expect them to examine closely OSHA bills introduced in 1993. Urge them to remove provisions that would be unduly burdensome to business.

Civil Rights

A new brochure, *How To Comply With The Civil Rights Act of 1991*, is available from the U.S. Chamber of Commerce.

The brochure is the latest in a series of pamphlets providing quick summaries of laws with which employers must comply. It points out which elements of a compliance strategy are within the law's guidelines and which are not. And it lists other resources among federal agencies involved in civil rights.

For a free copy, call 1-800-638-6582 (within Maryland, dial 1-800-352-1450). Ask for publication No. USCC 2018.

North America

Why Chamber Backs Trade Pact

(Continued from Page 81)
businesses and should be approved by Congress, according to the U.S. Chamber of Commerce.

"Although we want to complete our study of the text, on balance we think this is a positive agreement, especially for small and medium-sized companies," says Willard A. Workman, vice president/international of the Chamber. "The agreement appears to meet the benchmarks established by the Chamber's board of directors almost two years ago on what was essential in such a pact."

The North American Free Trade Agreement (NAFTA) will create the world's largest open market—approximately 370 million consumers and $6 trillion in annual output of goods and services.

The pact is positive for U.S. businesses, Workman adds, because it:

- Would make 65 percent of U.S. exports to Mexico duty-free immediately or within five years and would eliminate all Mexican tariffs within 15 years.
- Contains rules to ensure that benefits of the pact accrue only to North American companies.
- Expands U.S. access to the $430 billion Canadian and Mexican services markets.
- Retains stringent U.S. trade remedies for dealing with subsidized or dumped products.
- Grants U.S. investors in Mexico and Canada equal treatment with local investors.
- Establishes a process for harmonizing health, safety, and industrial standards at tough U.S. levels.
- Increases protection of intellectual property.

U.S. Trade Representative Carla A. Hills says that if Congress approves NAFTA, by 1995 more than 1 million Americans will owe their jobs to trade with Mexico. Moreover, Hills told about 400 business people during a briefing at the Chamber: "Mexico is the No. 1 U.S. business opportunity. On a per capita basis, Mexico buys 35 percent more from the U.S. than the more affluent European Community."

U.S. companies sold over $33 billion of goods to Mexico last year, and export sales could reach $44 billion in 1992, according to the U.S. Department of Commerce. Critics say NAFTA will cost the U.S. jobs and harm the environment because U.S. firms will shift operations to Mexico, where wages and environmental standards are lower. Workman disagrees. It "will generate a net increase in high-paying jobs, exports, and investment opportunities for the U.S., providing a welcome boost to our sluggish economy," he says.

Responds Hills: "Never before has a trade agreement offered such a balance between economic growth, protection of the environment, and protection of American workers." U.S. Environmental Protection Administrator William K. Reilly, who also participated in the briefing, said NAFTA "will not only protect but even improve the environment. ... It's the 'greenest' trade agreement ever negotiated anywhere."

Congress is expected to vote on NAFTA next year. The agreement is also subject to approval by the Mexican and Canadian legislatures.

Willard Workman, center, Chamber vice president/international, discusses the free-trade pact with EPA Administrator William K. Reilly and U.S. Trade Representative Carla A. Hills.

Trade Pact Guide

A new book published by the U.S. Chamber of Commerce contains the information your company needs to take advantage of the vast commercial opportunities likely to be afforded by the North American Free Trade Agreement.

The book, *A Guide to the North American Free Trade Agreement: What It Means to U.S. Business*, will be available in October. The cost is $27.50 for Chamber members and $32.50 for nonmembers.

To order a copy of the new guide, write International Division Publications, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000. Make checks or money orders payable to the U.S. Chamber of Commerce/Publications.

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Managing

TQM Seminars Have Wide Reach

A new U.S. Chamber of Commerce series of satellite seminars on Total Quality Management has attracted a wide audience.

At the beginning of September, around 150 state and local chambers of commerce, representing almost every state, had signed up to offer at least one seminar in the series, which began Sept. 17 and runs through Dec. 8.

Each seminar was being offered at 100 or more sites. A number of businesses—as well as a private foundation and a college—also signed up as downlink sites.

The seminars have tapped the growing interest in TQM among many small businesses, which see in the improved quality of their goods and services a key to survival in an increasingly competitive global economy. In Michigan, for instance—where TQM consciousness is especially high, thanks to the quality programs of the automobile manufacturers—downlink sites blanket the state.

The seminars feature nationally recognized TQM consultants and are part of a continuing effort by the Chamber to spread quality precepts among small businesses. The current seminar series was tailored specifically for small firms.

Alan A. Wheeler, the U.S. Chamber's vice president/quality learning services, envisions polling attendees at this year's seminars in the fall of 1993 to learn what effects the seminars have had. "We're interested in outcomes," Wheeler says.

The dates for the remaining seminars are Oct. 8, Oct. 15, Oct. 21, Nov. 4, Nov. 18, Dec. 2, and Dec. 8. Each seminar is from 1 to 3 p.m. Eastern time.

For information, call Alan Wheeler at the Chamber's Quality Learning Services Division at (202) 463-5570.

Nominating Committee

The committee that will nominate the 1993-94 officers for the U.S. Chamber of Commerce has been elected by the Chamber's board of directors.

Committee members are James K. Baker, chairman and chief executive officer, Arvin Industries, Inc., Columbus, Ind.; John L. Clendenin, chairman of the board, BellSouth Corp., Atlanta; Edwin I. Colodny, of counsel, Paul, Hastings, Janofsky & Walker, Washington, D.C.; Barbara B. Grogan, president, Western Industrial Contractors, Inc., Denver; and Charles M. Harper, chairman and chief executive officer, ConAgra, Inc., Omaha, Neb.

Also elected to the panel were William S. Kanaga, retired chairman, Arthur Young, New York; Stephen K. Lambright, vice president and group executive, Anheuser-Busch Companies, St. Louis; Denis F. Mullane, chief executive officer and president, Connecticut Mutual Life Insurance Companies, Hartford, Conn.; Dennis W. Sheehan, chairman, president, and chief executive officer, AXIA Inc., Oak Brook, Ill.; and David S. Tappan Jr., director, Fluor Corp., Irvine, Calif.

The committee will also nominate directors for terms beginning in 1993 and to fill interim vacancies.

U.S. Chamber members may submit their recommendations for candidates for Chamber directorships. Contact Mary Stranova at (202) 463-5335 to request a form. The deadline for recommendations is Oct. 9.

■ Legislation

Product-Liability Fight Continues

Business made significant strides in its fight for product-liability reform in this session of Congress despite a Sept. 10 setback in the Senate.

For the first time in over a decade of fighting for reform, proponents of a federal product-liability law were able to get their business-backed legislation to the Senate floor.

A coalition of business groups, including the U.S. Chamber of Commerce, plus Sens. Robert W. Kasten Jr., R-Wis., John D. Rockefeller, D-W.Va., and John C. Danforth, R-Mo., led the push for the measure. After the votes, the senators and the Chamber vowed to renew their fight in the next Congress.

The Senate defeat came in the form of two votes to end debate so that a vote could then be taken on the legislation. Proponents twice failed to win the 60 votes needed to end a filibuster against the bill, effectively killing it for this year. They won 57 votes on the first try and 58 on the second. (See listing below of the second vote.)

A simple majority would have been required for passage of the legislation.

Tyler Wilson, manager of legal and regulatory affairs for the Chamber, said: "We will continue to push for product-liability reform legislation. The failure of the Senate to allow consideration of the Product Liability Fairness Act hurts manufacturers, retailers, workers, and consumers."

Business has long sought a federal law to pre-empt the host of conflicting state product-liability laws.

Among other provisions, the Senate bill would have:

■ Set a uniform statute of limitations for bringing a suit against a company.

■ Allowed punitive damages only if there is "clear and convincing evidence" that a company showed "conscious, flagrant indifference" to public safety.

■ Required firms to pay noneconomic damages—recovery for pain and suffering—only in proportion to their share of the blame rather than making them jointly liable for the entire amount awarded.

■ Provided incentives for quicker settlements of lawsuits, speedier compensation to injured parties, and reductions in legal costs.

■ Senate Vote

The Senate came within two votes of ending a debate on a product-liability bill strongly backed by business. If your senators voted to clear the way for passage of the bill, thank them. If they voted against ending the debate, tell them you will hold them accountable for that vote.

Voted To Clear Way For Passage

ALASKA
Murkowski (R)
Stevens (R)
ARIZONA
DeConcini (D)
McCain (R)
CALIFORNIA
Seymour (R)
COLORADO
Brown (R)
CONNECTICUT
Dodd (D)
Lieberman (D)
DELAWARE
Roth (R)
FLORIDA
Mack (R)
GEORGIA
Nunn (D)
IDAHO
Craig (R)
Symms (R)
ILLINOIS
Dixon (D)
INDIANA
Coats (R)
Lugar (R)
IOWA
Grassley (R)
KANSAS
Dole (R)
Kassebaum (R)
KENTUCKY
McConnell (R)
MAINE
Cohen (R)
MICHIGAN
Riegle (D)
MINNESOTA
Durenberger (R)
MISSISSIPPI
Cochran (R)
Lott (R)
MISSOURI
Bond (R)
Danforth (R)
MONTANA
Burns (R)
NEBRASKA
Exon (D)
NEW HAMPSHIRE
Rudman (R)
Smith (R)
NEW JERSEY
Lautenberg (D)
NEW MEXICO
Domenici (R)
NORTH CAROLINA
Helms (R)
Sanford (D)
OHIO
Glenn (D)
OKLAHOMA
Boren (D)
Nickles (R)
OREGON
Hatfield (R)
PENNSYLVANIA
Specter (R)
RHODE ISLAND
Chafee (R)
Pell (D)
SOUTH CAROLINA
Thurmond (R)
SOUTH DAKOTA
Daschle (D)
Pressler (R)
TEXAS
Bentsen (D)
Gramm (R)
UTAH
Garn (R)
Hatch (R)
VERMONT
Jeffords (R)
VIRGINIA
Robb (D)
Warner (R)
WASHINGTON
Gorton (R)
WEST VIRGINIA
Rockefeller (D)
Byrd (D)
WISCONSIN
Kasten (R)
Kohl (D)
WYOMING
Wallop (R)

Voted To Continue Debate

ALABAMA
Heflin (D)
Shelby (D)
ARKANSAS
Bumpers (D)
Pryor (D)
CALIFORNIA
Cranston (D)
COLORADO
Wirth (D)
DELAWARE
Biden (D)
FLORIDA
Graham (D)
HAWAII
Akaka (D)
Inouye (D)
ILLINOIS
Simon (D)
IOWA
Harkin (D)
KENTUCKY
Ford (D)
LOUISIANA
Breaux (D)
Johnston (D)
MAINE
Mitchell (D)
MARYLAND
Mikulski (D)
Sarbanes (D)
MASSACHUSETTS
Kennedy (D)
Kerry (D)
MICHIGAN
Levin (D)
MINNESOTA
Wellstone (D)
MONTANA
Baucus (D)
NEVADA
Bryan (D)
Reid (D)
NEW JERSEY
Bradley (D)
NEW MEXICO
Bingaman (D)
NEW YORK
D'Amato (R)
Moynihan (D)
NORTH DAKOTA
Conrad (D)
OHIO
Metzenbaum (D)
OREGON
Packwood (R)
PENNSYLVANIA
Wofford (D)
SOUTH CAROLINA
Hollings (D)
TENNESSEE
Sasser (D)
VERMONT
Leahy (D)
WASHINGTON
Adams (D)
WYOMING
Simpson (R)

Not Voting

GEORGIA
Fowler (D)
NEBRASKA
Kerrey (D) (Voted "present")
NORTH DAKOTA
Burdick (D)
TENNESSEE
Gore (D)

■ Benefits

Family Leave Bill Clears Congress

Congress passed and sent to the president in September legislation to require employers to provide employees up to 12 weeks a year of unpaid family leave.

The legislation, opposed by the U.S. Chamber of Commerce, applies to employers with 50 or more employees. An employee could take unpaid leave for the birth or adoption of a child and for the illness of the employee or a family member. Employers would be required to continue health-insurance benefits.

President Bush indicated prior to the legislation's passage that he would veto the measure. He said he believes that family leave should be determined by employer-employee consultation, not by federal mandates.

The Family Medical Leave Act was passed by the Senate Aug. 11 and by the House on Sept. 10. The House tally was 27 votes short of the number that would be needed to override a veto.